

MARCH 2024

At the front line of the cost-of-living crisis

Insights from a Telephone
Financial Counselling Helpline

At the front line of the cost-of-living crisis

Insights from a Telephone
Financial Counselling Helpline

MARCH 2024

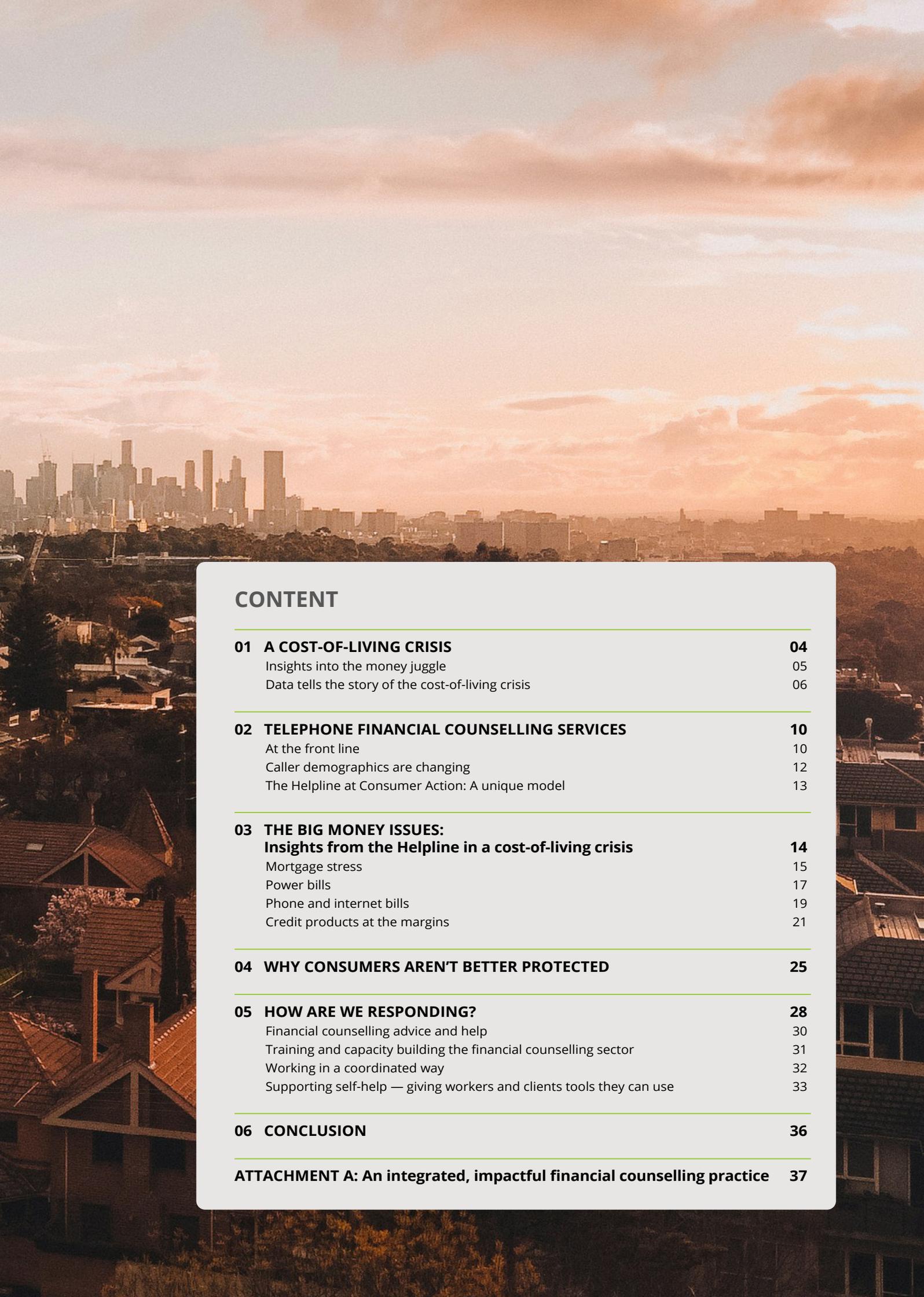


ABOUT

Consumer Action Law Centre is an independent, not-for-profit consumer organisation based in Melbourne. We work to advance fairness in consumer markets, particularly for disadvantaged and vulnerable consumers, through financial counselling, legal advice and representation, and policy work and campaigns. Delivering assistance services to Victorian consumers, we have a national reach through our deep expertise in consumer law and policy and direct knowledge of the consumer experience of modern markets.



Consumer Action is located on the land of the Kulin Nations. We acknowledge all Traditional Owners of Country throughout Australia and recognise the continuing connection to lands, waters and communities. We pay our respect to cultures; and to Elders past, present and emerging.



CONTENT

01 A COST-OF-LIVING CRISIS	04
Insights into the money juggle	05
Data tells the story of the cost-of-living crisis	06
02 TELEPHONE FINANCIAL COUNSELLING SERVICES	10
At the front line	10
Caller demographics are changing	12
The Helpline at Consumer Action: A unique model	13
03 THE BIG MONEY ISSUES: Insights from the Helpline in a cost-of-living crisis	14
Mortgage stress	15
Power bills	17
Phone and internet bills	19
Credit products at the margins	21
04 WHY CONSUMERS AREN'T BETTER PROTECTED	25
05 HOW ARE WE RESPONDING?	28
Financial counselling advice and help	30
Training and capacity building the financial counselling sector	31
Working in a coordinated way	32
Supporting self-help — giving workers and clients tools they can use	33
06 CONCLUSION	36
ATTACHMENT A: An integrated, impactful financial counselling practice	37



01

A COST-OF-LIVING CRISIS

Media headlines across Australia tell us that we are in a cost-of-living crisis. Interest rates have gone up thirteen times since May 2022. Inflation calculators, which look at purchasing power over time, show that since 2022 there has been a ten percent decrease in the purchasing power of the dollar. A grocery shop that used to cost \$200 now costs \$220.¹

These pressures have forced many people to cut back on spending.² Some are taking steps to reduce discretionary spending but are still able to afford the essentials. Others are struggling, juggling multiple debts and unable to afford the basics — food, rent and power bills.

This snapshot examines the impacts of the cost-of-living crisis on ordinary people, drawing on the insights of financial counsellors and their clients, and explains how our service is responding to help people and influence financial services to create a fairer market.

¹ [Inflation rates in Australia \(worlddata.info\)](https://www.worlddata.info/australia/inflation-rates-in-australia)

² [Australia inflation: How Aussies are tackling the rising cost of living crisis takes hold | news.com.au — Australia's leading news site](https://www.news.com.au/australia/inflation/how-aussies-are-tackling-the-rising-cost-of-living-crisis-takes-hold/news-story/1234567890)

Financial counsellor's perspective



Previously, everyone had a story... their marriage may have broken down, or they stopped work to care for a parent or partner. Now, there is often no backstory. It's because interest rates have gone up, cost of living has gone up, and their incomes have stayed the same.³

— Claire Tacon, Assistant Director of Financial Counselling at Consumer Action

We used to think people would be able to manage if their costs went up. But people's mortgages have increased from \$1800 to \$3600 in 18 months. People don't have buffers anymore. And there hasn't been a comparable increase in income.

— Shungu, Consumer Action financial counsellor

Insights into the money juggle

Financial counsellors are qualified professionals who provide information, advice and advocacy to people in financial difficulty. Financial counselling services are offered by not-for-profit community organisations and are free and confidential. The National Debt Helpline (the 'Helpline') provides financial counselling services over the phone and web chat. Financial counsellors are at the front line of the cost-of-living crisis. Every day they talk to people who are in financial stress and hear their stories.

People who have been hit hard by the cost-of-living crisis often describe their financial life as a 'juggling act'. They might have multiple bills that are overdue for gas, electricity, mobile and other services. They need to pay the rent or make mortgage payments. They have overdue credit card bills. They might be struggling to make payments on one or more buy-now-pay-later arrangements, such as Zip Pay or Humm.

One of the awful things about not having enough money is that the less you have, the more things cost. We know that people who are on a low income are often charged more for the same services as everyone else. For example, they are often signed up to more expensive deals on mobile phones. Low-income earners are the most likely to carry ongoing or 'revolving' balances on their credit cards, and therefore pay more in interest.⁴ They can only access more expensive credit. They can't take advantage of pay on time 'discounts'. We call this 'the poverty premium'.

³ Claire was quoted in *The Age*, 1 May 2023

⁴ [The Role of Credit Cards, Payday Loans, Consumer Leases and Buy-Now-Pay-Later Products in Personal Insolvency](#) by Lucinda O'Brien, Ian Ramsay, Paul Ali :: SSRN

Missing payments leads to more costs. If there's not enough money in your account to cover a direct debit, the bank will charge you fees. If you can't pay off the credit card every month, interest will keep increasing the amount you owe. If you can't pay an instalment on your Buy Now Pay Later account, you'll be charged a late fee every time you miss a payment. These fees add up fast if, as is the case for many of our clients, you have three or more buy-now-pay later arrangements at the same time.

When people have a few bills piling up, they start the money juggle. They might borrow more from one lender to pay a bill. They might start to rely on their credit card to pay for everyday expenses. They might take out a short-term 'payday loan'. They might try to get cash by pawning something valuable. They might start to use Buy Now Pay Later products to pay for the basics they need so that they can use cash to pay off other loans. We hear from people who have used Buy Now Pay Later to pay for food, medicine, and emergency dental treatment.

Poverty robs opportunity

Poverty is not just about a lack of resources, but a lack of opportunity and choices — with many people forced to go without vital things in favour of other vital things.⁵

— Senate Community Affairs Reference Committee, *Interim Report, 'The extent and nature of poverty in Australia'*

After juggling debts for a while, people may receive frightening letters with red ink and start to get calls from debt collectors. We know that stress makes it harder to make decisions. When people are struggling to pay a lot of overdue bills, they often pay the person who shouts the loudest. Companies have obligations to tell people when they can pause payments or have other options. But sometimes people don't know their rights and don't tell the company they are in financial stress. And sometimes a company doesn't tell people about their options, like their right to hardship assistance.

We hear from people that they are cutting back on essentials because they are prioritising payments on an expensive short-term loan or a Buy Now Pay Later product.

Financial counsellor's perspective

When people are struggling with day-to-day costs it leads to more borrowing. People might use Buy Now Pay Later so they can afford to pay the home loan. But eventually they can't borrow more and have nowhere to go.

—Shungu, Consumer Action financial counsellor

⁵ [The extent and nature of poverty in Australia \(aph.gov.au\)](#) at 3.5

Financial counsellor's perspective

We talk to people every day who are facing bankruptcy and the loss of the family home because they can't pay their debts.⁶



What we're hearing from callers is that they are prioritising rental and mortgage payments because they're terrified of losing housing. As well as being in a cost-of-living crisis, we're in a housing crisis. Unfortunately, people often don't understand that not paying other liabilities/ debts, such as council rates and owner's corporation fees, can also put their housing at risk.

— Katia, Director of Financial Counselling at Consumer Action

We are having more conversations with people about selling their houses. It can be a bit of a slow process as they come to terms with it. They're trying to stay in a mortgage, or looking at a rental market that is impossible to get into. It can lead to homelessness. Those calls are quite common at the moment.⁷

— Kirsty, Consumer Action financial counsellor

We know that people who are dealing with other life issues often experience money stress at the same time. Every day our financial counsellors talk to people who disclose health issues, disabilities, carer responsibilities, family violence, unemployment, workplace injury and family breakdown.

⁶ Recent research looked at the mix of debts that more than 18,000 people had in bankruptcy between 2016 and 2019. They found that the highest debt was for credit cards. Many people also carried debts from payday loans, Buy Now Pay Later products, consumer leases. [The Role of Credit Cards, Payday Loans, Consumer Leases and Buy-Now-Pay-Later Products in Personal Insolvency](#) by Lucinda O'Brien, Ian Ramsay, Paul Ali :: SSRN

⁷ Kirsty was quoted in a story in *The Guardian* in 2023, see [Stress test: what to do if you're an Australian mortgage holder being pushed to the brink | Housing | The Guardian](#)

The spiralling consequences of financial stress

- ▶ **Family violence**
- ▶ **Food insecurity**
- ▶ **Health**
- ▶ **Education**
- ▶ **Period poverty**
- ▶ **Social isolation**
- ▶ **Employment**

Financial counsellors focus on financial stress and help people work out their options. But people also tell our financial counsellors about how financial stress has a cascading impact and contributes to other problems. If people can't afford life's essentials, it makes for higher costs to society down the road. Many people experience more than one of these issues at the same time. These include:

Financial hardship is a significant barrier to leaving a situation of family violence. If a woman leaves a violent relationship, she may have difficulty accessing money and may have debts relating to financial abuse.⁸

Last year, 3.7 million households in Australia experienced food insecurity.⁹

Poverty can increase risk of weight loss or gain, dental problems, cardiovascular disease, type 2 diabetes, and mental health issues. People may forgo medical appointments and medications that would help manage their chronic health conditions, increasing costs to the health system down the line.¹⁰

Financial stress limits children's access to technology and can affect children's participation in school activities and participation in sport, including swimming.

Almost two thirds of young women are struggling to pay for period products and painkillers.¹¹

Lack of money to attend work or community events can lead to social shame and isolation.

Poverty causes barriers to employment, including inability to cover transport costs, access appropriate workwear, and access qualifications (e.g. a responsible service of alcohol certificate). Financial stress can put employment at risk.

Financial stress can happen to anyone

Historically, most of our callers have been living at or below the poverty line. They are reliant on a low income or Centrelink payments, often after experiencing some sort of adverse or difficult life event, such as illness, disability, bereavement, separation or family violence.

However, while the number of these callers remains steady (see Figure 2), the proportion is shrinking. Now, as well as those very low-income and life-event impacted people, we are seeing more people with regular employment earning lower-to-middle incomes who are struggling with mortgages. For some of these people, mortgage repayments have doubled while their wages have stayed the same, a scenario that was unimaginable to them when they borrowed, and not anticipated by the banks, even as recently as two years ago. If you applied for a mortgage in 2021, the bank would 'stress test' to see whether you could afford payments if interest rates rose by 2.5 percent. In October 2021, the Australian Prudential Regulation Authority (APRA) raised the loan buffer to 3 percent, where it remains.¹² The Reserve Bank has raised interest rates in that time period by 4.25 percent. This means an increase in repayments of roughly \$1,200 per month for a \$500,000 mortgage.

8 Save the Children and 54 Reasons, Submission to Senate Inquiry on [The extent and nature of poverty in Australia \(aph.gov.au\)](https://aph.gov.au)

9 [Foodbank Hunger Report 2023 - Foodbank Reports](https://www.foodbank.org.au/reports)

10 [The extent and nature of poverty in Australia \(aph.gov.au\)](https://aph.gov.au)

11 [Big 'bloody' survey reveals extent of period poverty in Australia - PBA \(probonoaustralia.com.au\)](https://probonoaustralia.com.au)

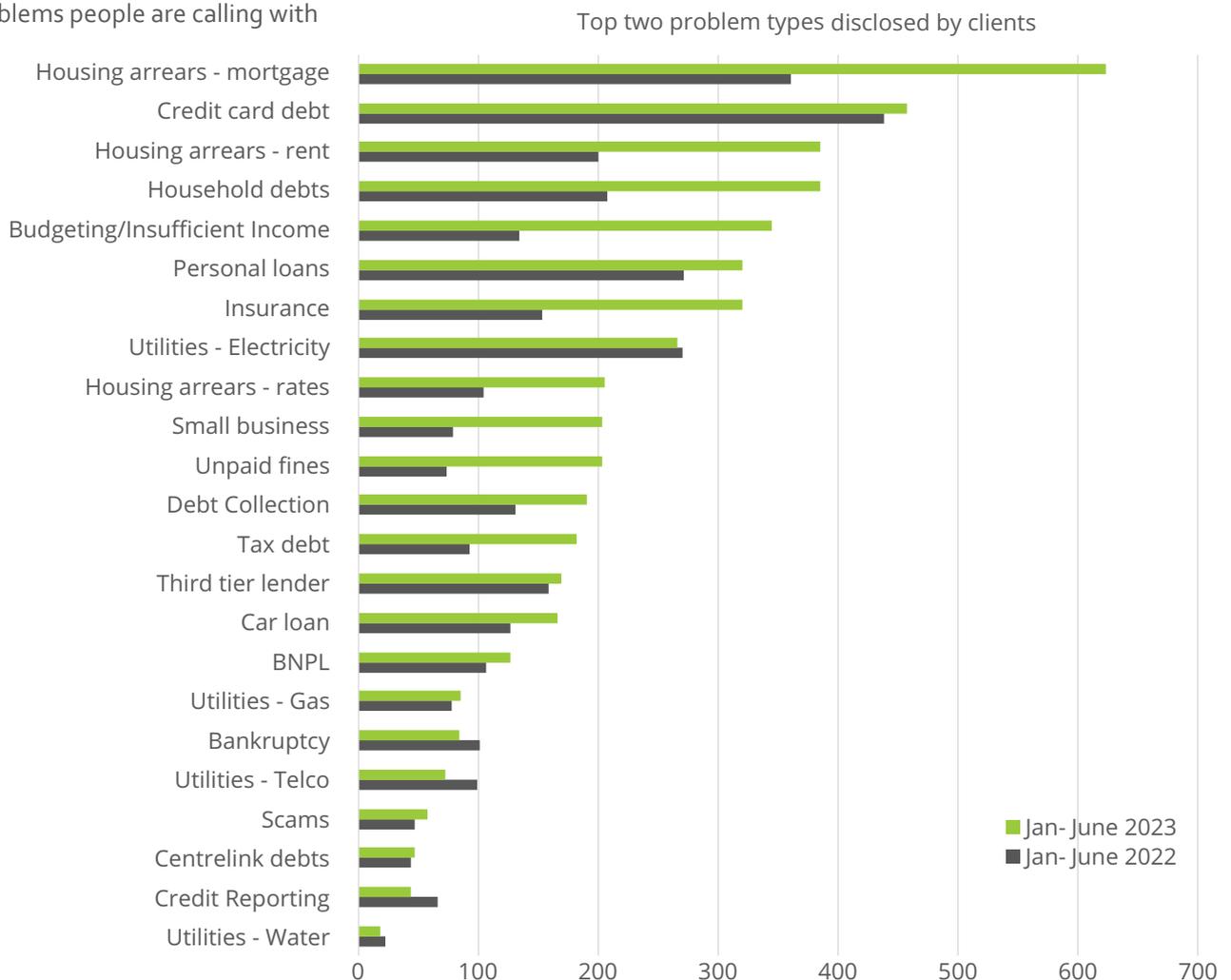
12 <https://www.apra.gov.au/news-and-publications/apra-increases-banks%E2%80%99-loan-serviceability->

Data tells the story of the cost-of-living crisis

At Consumer Action, we ask for and record information about our clients so that we can provide them with tailored advice about their rights and options for addressing their problem debt. This can include demographic information, such as their age and amount and source of their income, as well as information about the issue they are seeking help with.

Our data shows changes in the types of issues people called us about between 2022 to 2023¹³ (Figure 1). We have seen a dramatic increase in the number of people who are calling the Helpline about mortgage stress, rent arrears and household debt. We have also seen a significant increase in calls about insurance, which may be a consequence of natural disasters in the last 12 months.

Figure 1:
The problems people are calling with



An important qualification here is that many callers don't identify Buy Now Pay Later debts or certain loans as issues they want to address, possibly because they think of these products as budgeting tools rather than debts, or they want to keep the line of credit open. For many, these are payment methods that they want to keep accessing (e.g. using Buy Now Pay Later to pay for essentials).

[expectations-to-counter-rising](#)

¹³ This data shows the top two issues disclosed by people who call the Helpline. This does not represent the number of clients (because most people disclose more than one problem type)—it is the number of problems



02

TELEPHONE FINANCIAL COUNSELLING SERVICES

At the front line

Financial counsellors are at the front line of the cost-of-living crisis. Every day they talk to people who are in financial stress. There are more than 300 financial counsellors across Victoria, many of them working as part of larger not-for-profit organisations. Telephone financial counselling services like the Helpline are a crucial complement to the financial counsellors who provide in-person help.

The Helpline is a free, not-for-profit telephone service funded by the state and federal governments and delivered by state-based community agencies. When the Helpline phone rings, the call is answered by a financial counsellor, who can provide information, advice, referrals and ongoing help to people struggling with debt. The Helpline can be accessed by anyone, on the phone, or alternatively via online chat, confidentially, anonymously, without a referral or long wait. More than a million people have accessed the Helpline since it was started in 2011 after the financial crisis.

Calls to the Helpline fell during the pandemic but have increased significantly over the last two years. Nationwide data collated by Financial Counselling Australia shows that the total volume of calls during the 2022-23 financial year was 129,328, a 20 percent increase on calls received during the 2021-22 financial year.¹⁴

In the 2021-22 financial year, the Helpline in Victoria received 22,272 calls. Last financial year, the Helpline received 30,000 calls. That's an increase of 25 percent. The number of people visiting the Helpline's web site has almost doubled over the last year.

People call us because they see our number on, for example, their mortgage statement or energy bill, or find us on Google or Facebook. We also receive a large number of referrals from Victoria Police, Centrelink, community workers, family violence workers, courts, ombudsman services, creditors (banks, power companies, other lenders), and other financial counsellors.

¹⁴ Financial Counselling Australia, Annual Data Report 2022-23, December 2023.

Clients tell us how financial counsellors can lighten the burden

It's not surprising that many people who call the Helpline are stressed, confused, overwhelmed and frightened. They may have been experiencing financial stress for some time, and the phone call to the Helpline is the first time they have sought help. Some people tell us that it is easier for them to make a phone call than to go and see a financial counsellor face-to-face as a first point. Sometimes the people who call us have been hiding money troubles from their family and friends. They are feeling shame and distress.

Our ongoing evaluations of the Helpline capture the value of a private, confidential service. For example, responding to our post-call survey last year, one person said, 'this is the first time I felt comfortable talking with someone about my situation'. Another spoke about 'getting some relief to talk to someone with privacy'. Several respondents said the service was 'non-judgmental'.

People told us about the impact of financial stress on their lives, including feelings of being 'desperate', 'scared', 'in despair' and their lives being in a 'dark place'.

When giving feedback several people used the words 'relief', 'empowered' and said they were 'more confident'. One respondent said they felt 'elated, after years of worry regarding a Part IX debt agreement'.

Some people told us about how the advice they were given helped them understand their rights and take action. One caller told us her story:



After ringing [the Helpline] it was an eye opener to the amount of rights we actually do have... some companies tell you what they want you to hear then intimidate you as you are in a vulnerable position. [The Helpline] gave me advice on a place to go for support & dispute. Nothing I feel is incorrect.

I now have my phone bill paid and wasn't required to run around like a headless chook doing so with my anxiety issues couldn't be more grateful.

If it hadn't been for [the Helpline] for debt relief, my phone would be cut off today with a bill I cannot afford in financial crisis then having to pay connection fee again.

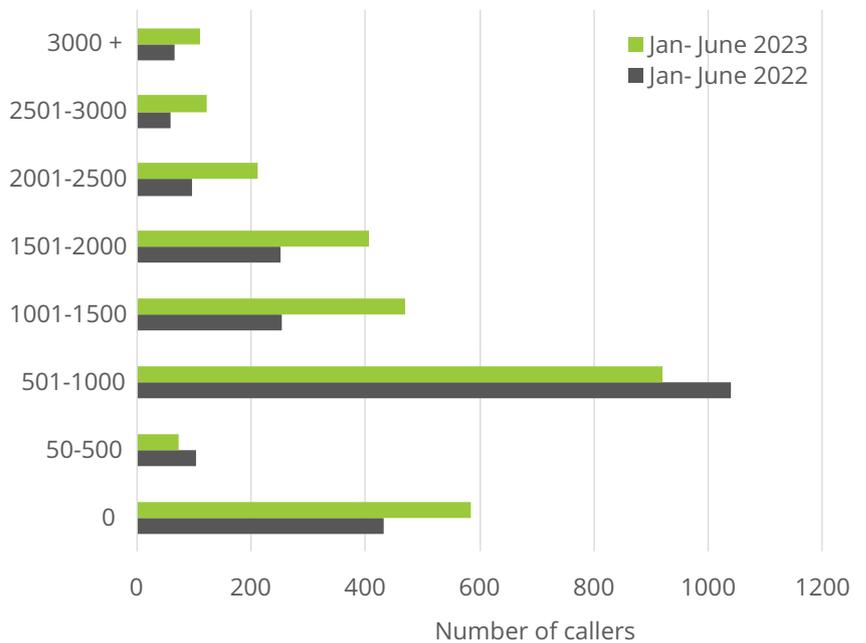
Caller demographics are changing

Comparing our data for a six-month period in 2021-22 and the same period in 2022-23 shows that the number of our callers on Centrelink benefits has remained fairly stable.

However, we saw a significant increase in the number of other callers with low incomes (\$1001-\$1500 and \$1501-\$2000 per fortnight) and a significant increase (more than double) in the number of callers with a moderate income (\$2001-\$2500 and \$2500-\$3000 per fortnight). See Figure 2 below.

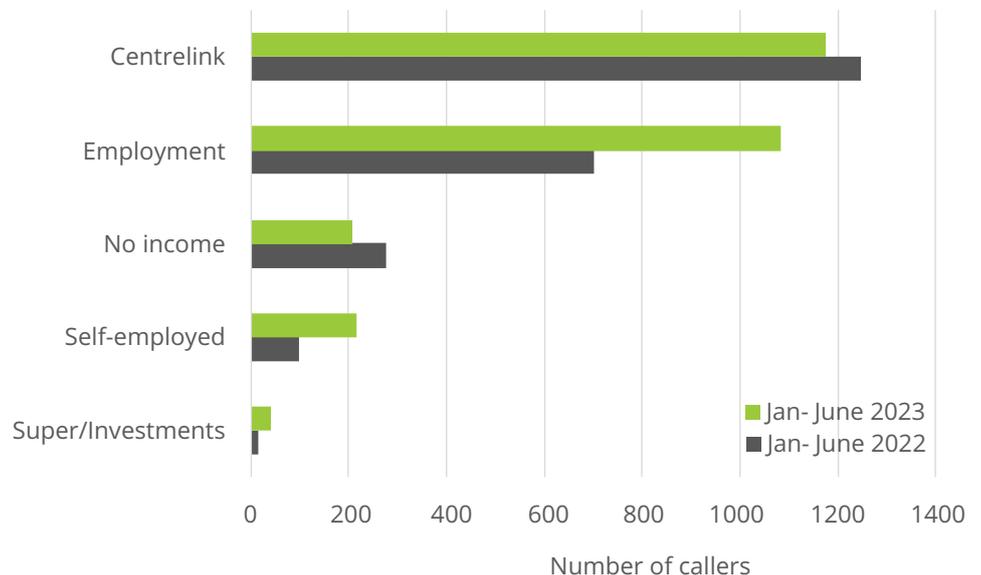
Figure 2:
Income of callers

Fortnightly income (\$) of callers to the Helpline



We are also getting more calls from people who receive income from paid employment, from 703 in Jan-June 2022, to 1082 in Jan-June 2023, an increase of more than 60 percent.

Figure 3:
Income source



The Helpline at Consumer Action: A unique model

The Helpline is delivered by two providers in Victoria. Seventy five percent of calls to the Helpline number are directed to Consumer Action.

The model of the National Debt Helpline offered by Consumer Action is unique, because the financial counselling service is a core and integrated part of our specialist community legal centre.

Our organisation has three strategic priorities: to assist and empower people, to partner with and strengthen the community sector and to advocate for a fairer system. All our teams work together to help us achieve these goals.

'The Engine Room'



The financial counselling service is the engine room of Consumer Action. The data we get from the Helpline, the stories, the media, the clients, all feed into and drive our policy work. We couldn't have the impact we have without the Helpline.

— Steph Tonkin, CEO, Consumer Action

More information about how our financial counselling program sits within and amplifies Consumer Action's work is at [Attachment A](#).



03

THE BIG MONEY ISSUES: Insights from the Helpline in a cost-of-living crisis

Financial counsellors working on the Helpline talk to people in financial stress every day. Our work gives us a unique set of perspectives on the unfolding cost-of-living crisis. We hear about the lived experience of individuals on the phone. We are also able to draw together a large number of diverse cases to provide an overview of state and national issues and trends.

This report focuses on the big money issues that our financial counsellors are hearing about from callers: mortgage stress, power bills, phone and internet bills, and some more marginal financial products that people are using to access short term credit.

Companies put profit over people: shame and blame

Often people feel that it's their fault that they can't pay their bills. Many people who call us feel shame and embarrassment because they can't afford to pay their bills on time.

What people don't know is that banks, telecommunications companies and energy companies are required by law to help people who are in financial stress. Often companies don't follow their own rules about helping people in financial hardship. Some businesses are even worse: they've set up their business models to circumvent the law.

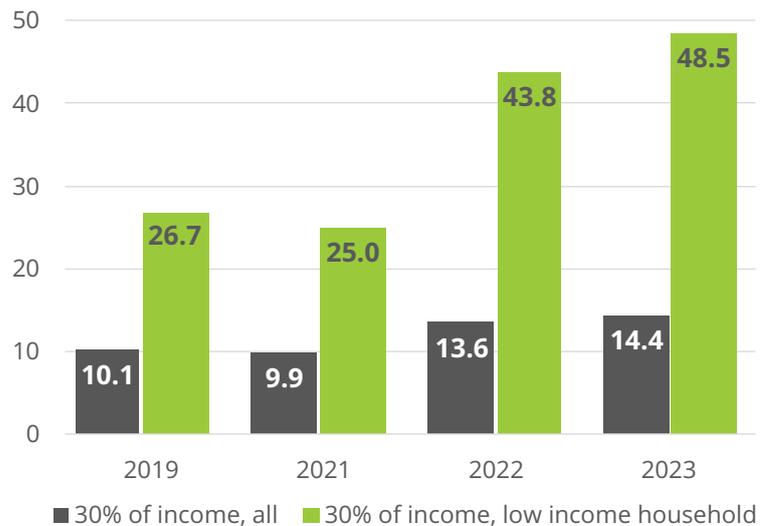
Mortgage stress

We all know we're in a cost-of-living crisis. So far, this has not led to widespread foreclosures.

But this may change. In October 2023, data analysis by Roy Morgan showed that the number of households falling behind in repayments was rising. They found that 700,000 additional households were 'at risk' of mortgage stress compared to May 2022.¹⁵ The number of mortgage holders considered 'extremely at risk' had risen to 19.7 percent of all mortgage holders, significantly above the long-term average over the last 10 years of 14.1 percent.¹⁶

Research from the Australian National University, cited in *The Guardian*,¹⁷ found that the number of households spending at least 30 percent of their disposable income to a mortgage—a standard stress gauge—rose from 26.7 percent in 2019 to 43.8 percent at the end of 2022. Those researchers projected that 48.5 percent of borrowers would be in financial stress by the end of 2023.¹⁸

Figure 4:
Mortgage stress in Australia



¹⁵ [Mortgage stress eased in October before the RBA raised interest rates on Melbourne Cup Day - Roy Morgan Research](#)

¹⁶ Ibid

¹⁷ [Almost half of Australian mortgage holders under financial stress as RBA tipped to raise rates again | Interest rates | The Guardian](#)

¹⁸ Ibid

Financial counsellor's perspective

What banks and economists don't see in the data is that some people are staving off mortgage stress for now through the money juggle. One thing that we hear on the Helpline is that homeowners are doing whatever they can to keep making mortgage payments. They might reduce spending, use Buy Now Pay Later to pay for essentials, and take out payday loans. Our financial counsellors speak to people every day who are borrowing from one lender to pay another and going without essentials, such as food and visits to the doctor, to keep up mortgage repayments.

Comparisons are sometimes made with the early 1990s when interest rates were an eye-watering 20 percent. However, at that time, property was cheaper and mortgages were smaller relative to incomes.¹⁹

The *National Credit Code* and *Banking Code of Practice* give people the right to request payment variations if they are struggling financially. But people may not want to apply for a 'hardship variation' (such as a three-month pause on mortgage repayments) even if they might benefit from one. One reason for this is that recent changes to credit reporting legislation mean that hardship variations given by the bank will be recorded on a person's credit report for 6 to 12 months. Banks are required to tell people this when they apply for a hardship variation.

We talk to people who would really benefit if they were able to pause mortgage repayments. But when people call a bank, the bank uses a script to respond. The focus of the script is that 'the hardship application will affect your credit report.' People feel real shame and fear about getting something on their credit report. So we hear from people who don't seek hardship, but instead try for more credit or use Buy Now Pay Later.

—Lisa Michelle, Consumer Action financial counsellor

Rather than apply for hardship, our callers often continue the money juggle for as long as they can keep going. People often call us when they can't keep the balls in the air anymore.

¹⁹ [Ibid](#)

Power bills

Electricity and gas are essential services — people can't live without them. If electricity or gas is cut off it can cause serious harm.

In Victoria there are many different gas and electricity companies to choose from. But shopping around can be overwhelming. It is particularly tough for people who have low computer literacy, or who are living with illness, disability, family violence or other disrupted living circumstances. Our financial counsellors say that people with lower incomes are often on a more expensive plan and pay more for their power. This is an example of the poverty premium.

The good news is that power companies have responsibilities under law to help people who can't afford to pay their bills. The bad news is that power companies don't always do what they're supposed to.

Research on energy hardship

In 2022-23 more than 65,000 people in Victoria sought help to pay their electricity bill. More than 54,000 people sought help to pay their gas bill. In the same period, more than 13,000 people had their electricity disconnected for non-payment, and more than 4,000 people had their gas disconnected. The majority owed less than \$1,000.²⁰

Consumer Action's preliminary Energy Assistance findings for 2023 found that in January-December 2023, the average amount of energy debt reported by callers was \$2,616, while the average fortnightly income sat at \$1,033. Analysis of our client data found the highest debt reported by a client was \$34,102 and the lowest reported was \$215; 14 percent of callers had an old debt related to a closed account; and 9 percent disclosed being on unaffordable payment plans. 12 percent of callers were experiencing family violence, debt collection for old debts, or being coerced into continuing to pay for accounts they received no benefit from.

In a recent survey of around 600 Helpline clients as part of a project funded by the Victorian Department of Energy, Environment & Climate Action, more than a third reported not being up to date with their energy bills. However, of those clients, only two in five said they had accessed Utility Relief Grants. Some clients said they had used expensive forms of credit, such as payday loans or wage advance products or had borrowed money from family and friends to manage their bills.

²⁰ [Victorian Energy Market Report | Essential Services Commission](#)

Our financial counsellors often hear from callers who are so overwhelmed by their situation that they feel unable to contact their energy company. They might have been discouraged by poor experiences in the past and do not have the confidence to make contact again to access a better offer and/or hardship assistance.

There are other barriers to people accessing the help they are entitled to. Power companies are required to assist people to access government concessions such as the Utility Relief Grant (under which eligible customers can receive up to \$650 for each energy utility). But we often hear from people who have not been given this information by their power company. Companies can also sometimes put barriers in place for people seeking assistance. We regularly make complaints to regulators about this conduct. Some of these complaints have led to power companies being fined. For example, Alinta Energy was fined \$380,000 in 2022 for failing to provide information about concessions to some of its customers who were in financial hardship.²¹

From analysis of Consumer Action's data for Jan-December 2023, we found that out of 846 calls to the Helpline specifying energy as a key financial difficulty, 188 callers (or 22 percent) were not offered, assisted to access, or notified about Utility Relief Grants by their retailer.

Case study

Marian (name changed) called the Helpline in February 2022. She was recovering from surgery, as well as experiencing complex mental health challenges. Her sole income was from Centrelink.

Marian told our financial counsellor that she had been struggling with her energy retailer for two years – ever since she became a customer. She had written to and phoned her energy company on several occasions to ask for a hardship assistance form she could fill out. But she never received one. And the form was not available on their website. Marian said that the company told her she needed to speak to their hardship team, but she was never transferred when she asked, and she did not receive any calls back. She said that her retailer had never discussed the Utility Relief Grant Scheme or the Payment Difficulty Framework with her.

Dealing with the retailer eventually became too stressful for Marian's mental health and she stopped paying the energy bill. She told the Helpline that her bill was \$500 at that point, but that her retailer then added an additional \$400 in fees. Marian said she then received a final notice and had a debt collector knock on her door.

²¹ [Repeat offender Alinta Energy fined \\$380,000 for failing to help Victorians in dire need - Consumer Action Law Centre](#)

Many callers who have told us they have accessed eligible relief measures, including concession rebates, Utility Relief Grants and the Power Saving Bonus, are still stuck with energy debts of increasingly larger amounts.

The story from the data

In 2023, out of 846 calls where energy had been a key presenting issue, 410 people told us the amount of energy debt they owed.

This data shows:

- ▶ The average debt amount was \$2,616
- ▶ Callers' average income per fortnight was \$1,033
- ▶ The average debt was 2.5 times greater than the average fortnightly income
- ▶ There were 149 debts of more than \$3,000
- ▶ The highest debt was \$34,102. The smallest was \$215.

From all energy related calls in 2023 we learned:

- ▶ 53 percent of callers had experienced a recent life event that had contributed to their financial hardship
- ▶ 20 percent were experiencing mental health challenges
- ▶ 12 percent were experiencing, or had recently experienced Family and Domestic violence
- ▶ 22 percent disclosed having limited capabilities.

Callers seeking help with energy debt were less likely to be earning an income from employment (22 percent) than other callers to the Helpline (51 percent).

Phone and internet bills

We need mobile phones and internet access to do everything: for our work, for our children's schools, to pay bills, to call for help with health issues, and even to find our way on the road. If people have their mobile phone cut off, it has a massive impact and can put safety at risk. Mobile phones and the internet are now as essential to daily life as gas and electricity.

Telcos are an essential service

'Telecommunications are an essential part of life.'

– Michelle Rowland MP, Federal Minister for Infrastructure, 2023²²

²² [Albanese Government to improve safeguards for telco consumers experiencing financial hardship | Ministers for the Department of Infrastructure](#)

Phone bills are becoming harder to afford in the cost-of-living crisis. This is particularly the case for people on lower incomes who are often subject to aggressive targeted selling and end up with more expensive phone contracts. Over a 2-month period in late-2023, financial counsellors on the Helpline asked callers about their phone bills. The results were stark—the average amount being spent on phone (sometimes internet) bills was \$100 per month, despite many callers being in significant financial stress.

When people can't afford to pay the bill, they are often treated badly. We've heard from clients who have been told by major telecommunications providers that they cannot access any payment plan. Some report being denied a payment extension, while others have told us they have been given only one month, one week, or even two days to pay the outstanding bill in full or their phone or internet will be cut off.

Case study

Phone company not helping a family violence victim/survivor

Sophie (name changed) is a single mother with a young child who recently escaped family violence. She is currently homeless and staying with friends.

When Sophie contacted the Helpline, she told us that her ex-partner had taken out multiple contracts in her name including his phone and internet.

Sophie asked for assistance from Optus under family violence and financial hardship grounds, including a request to cancel the account, waive recent bills under hardship grounds, and provide a reimbursement due to incurring ongoing charges for an additional phone that her ex-partner had violently smashed. Sophie has called Optus on many occasions over the last 12 months, repeatedly having to retell her story and her experience of family violence. Their response was the same, Sophie says. *'They just kept telling me I had to pay'*.

Sophie states Optus has continued to pursue her for account debts related to her ex-partner. Most recently, she received a \$700 overdue bill in relation to one of the accounts she received no benefit from and cannot afford.

At time of writing, Sophie has moved interstate. Optus has disconnected her phone, and she has had to purchase a new SIM and plan with a different telco retailer, stating having a working phone 'is the only way I find out about my ex's court dates, and my safety'. She is still not sure if she received a waiver, or a resolution on her case with Optus.

Credit products at the margins

When people are struggling, they start to look for other ways to pay their essential bills, particularly rent. There will always be companies that will lend money to desperate people, but it comes at a high cost. Some of the credit 'products' our financial counsellors see are as old as the market itself — payday loans, pawnbroking and 'rent to buy' deals all feature in classic 19th century novels. Other credit products are newer — like Buy Now Pay Later — but use all the same tricks to make money.

'Payday loans'

Small, short-term loans or 'small amount credit contracts' are often referred to as 'payday loans', the idea being that you borrow a small amount and pay it back by the next payday. These loans are usually taken out for three to 12 months.

These kinds of loans are eye-wateringly expensive, though some are more expensive than others. For example, in 2019 ASIC found lender Cigno's fees were much higher than those of other payday business models.²³ ASIC collected case studies of customers who had owed Cigno almost 10 times the amount they originally borrowed due to fees and charges. In one case, a disability pensioner who borrowed \$350 owed \$2,630, including late fees and ongoing weekly 'account-keeping' fees. In another, an unemployed woman who borrowed \$120 ended up with a debt of \$1,189.

Short-term loans are marketed as being easy to get, with minimal checks on a person's ability to afford to repay the loan. Our financial counsellors say that people typically turn to these loans when they are desperate and think they don't have any other options.

New laws came into effect in 2023 that place more responsibilities on lenders when they provide loans of less than \$2,000. Unsurprisingly, we are now starting to see a notable jump in lenders marketing loans for around \$2,050.

Financial counsellor's perspective



We are seeing a lot of short-term loans — most used to be for less than \$2,000. But since the law changed, we're seeing loans between \$2,050 and \$5,000 so lenders can sidestep regulation.

— Kane, Consumer Action financial counsellor

²³ See [CP 316: Using the product intervention power: Short term credit \(asic.gov.au\)](#)

The money juggle can get much worse if lenders provide people with multiple payday loans that they can't afford. Repayments gradually take up an increasing and unreasonable proportion of their income, which leads to a debt spiral that can be impossible to escape.

Wage advance products are another form of small loan, provided by wage advance providers such as Wagetap, Beforepay and MyPayNow. These services offer consumers an advance on their pay packet, which they automatically repay along with a fee when their pay arrives. These products are not yet regulated.

Financial counsellor's perspective



If you are accessing wage advance there is almost always something else going on, other debts are piling up, credit cards, things like that. No one needs to access their wage early if they are not already in financial hardship.

— Kirsty, Consumer Action financial counsellor, Nine News, 19 June 2023

'Rent to buy' (consumer leases)

Many companies supply consumer products under arrangements marketed as 'rent to buy' but are really consumer leases. They are often marketed as a way to purchase essential household goods you need when you're setting up a home—things like a fridge, a washing machine, a couch, a bed, a TV or a laptop.

Consumer leases let you rent an item for a set amount of time, usually three years, making weekly or fortnightly payments. At the end of the lease period, you don't own the item—the company does. And if the item is damaged, stolen or lost, you still have to pay all the rental payments until the end of the lease.

The cost of a product that you buy using a consumer lease turns out to be much higher than buying something outright. But sales are targeted at people on a low income—another example of the poverty premium.

In 2022, ASIC announced that it was taking legal action against a company offering consumer leases, Rent4Keeps. It shared an example of a customer who used Centrelink payments to pay almost \$2500 for a fridge that retailed for just \$365. Another person paid \$1200 for a mobile phone that retailed for \$249. Our Engagement team recently spoke to a young Aboriginal woman who paid \$5000 for a couch that retailed for \$1100.

The companies that offer consumer leases can gain approval from Services Australia to access the Centrepay payment system. This means the company can deduct payments for their leases directly from Centrelink income before the money goes into a person's account.

Under changes that came into effect in June 2023, consumer lease providers must check that a customer won't be paying more than 10 percent of their

net income towards all leases. However, there are still thousands of people who have existing consumer lease contracts, some of which cost more than 30 percent of their Centrelink income. And because these are essential goods (you can't live without a fridge and a washing machine), people need to keep on paying.

Buy Now Pay Later

The Buy Now Pay Later industry is huge and growing and has been used by more than 50 percent of Australians. But these products can be an expensive debt trap.

Callers to the Helpline tell us that Buy Now Pay Later products are easy to sign up to and appear helpful at first. But they can quickly contribute to a debt spiral and push people further into financial hardship. They are a short-term solution that can create long term problems.

Financial counsellor's perspective

The debt spiral is a big thing, especially with Buy Now Pay Later because it's the easiest thing to get with no affordability checks. People are using Buy Now Pay Later to pay dental bills and vet bills. Now we hear from people who are using Buy Now Pay later to buy supermarket vouchers so they can buy food. Eventually it will all fall apart.

— Kane, Consumer Action financial counsellor

In 2020, ASIC found that 21 percent of surveyed Buy Now Pay Later users had missed a payment in the previous 12 months; 20 percent of surveyed users said they had cut back on or went without essentials such as meals to make payments on time. Almost one third of that group had used at least six Buy Now Pay Later arrangements in the previous six months.²⁴

Many people use Buy Now Pay Later products despite having existing debts. For example, 80 percent of people getting help from a financial counselling service (Way Forward) had used Buy Now Pay Later at least once in the previous 12 months. These were people experiencing long-term financial difficulty and on debt repayment plans.²⁵ But they had still been able to access Buy Now Pay Later. These products are effectively a form of credit by a new name.

²⁴ [Buy now pay later: An industry update \(asic.gov.au\)](https://asic.gov.au/buy-now-pay-later-an-industry-update/)

²⁵ [BNPL-White-Paper-Way-Forward-2022.pdf \(wayforward.org.au\)](https://wayforward.org.au/wp-content/uploads/2022/02/BNPL-White-Paper-Way-Forward-2022.pdf)

Researchers have found that approximately 40 percent of users are operating more than one Buy Now Pay Later account at a time.²⁶ They also found that the average person who has more than one account is more likely to be from a low socio-economic area, more likely to be receiving government benefits, have a higher credit card utilisation rate, and use more personal loans.

Invisible financial products hurt the market

Poor lending practices can cost borrowers more than they can afford to pay. But there are costs to lenders and the economy as well. A recent report on Buy Now Pay Later demonstrated that the overuse of these products has economic implications—they represent a higher credit risk for financial institutions, including the Buy Now Pay Later platforms. But because the Buy Now Pay Later industry is not regulated as credit, the risk such customers pose is not visible to the market or government.²⁷

Buy Now Pay Later debts are particularly tricky in the money juggle. They tend to be short term, which means the instalment payments are higher and closer together. And while providers don't charge interest, they do charge fees every time a payment is missed so the amount you owe goes up fast. The companies that offer these products tend to be inflexible when negotiating payment terms. And it's so easy to use Buy Now Pay Later products that you can keep getting more and more.

Financial counsellor's perspective



People prioritise paying Buy Now Pay Later arrangements because they come to rely on them. They can't use their account if they've missed payments. Overdue fees are the stick, ongoing access is the carrot.

—Katia, Director of Financial Counselling at Consumer Action

²⁶ [Buy Now Pay Later: Multiple Accounts and the Credit System in Australia](#) by Elizabeth Boshoff, David Grafton, Andrew R. Grant, John Watkins :: SSRN

²⁷ Ibid



04

WHY CONSUMERS AREN'T BETTER PROTECTED

The big issues we have highlighted in the cost-of-living crisis are common on our frontlines, and for our consumer sector colleagues. They have harsh consequences for ordinary Australians for four main reasons.

First, when it comes to some products, like Buy Now Pay Later and wage advance products, there are limited rules and laws to protect consumers. Companies have argued to law makers that their products are not a form of credit because they don't charge interest. The reality is that these products have been designed to ensure they are not regulated by law.

For most Buy Now Pay Later companies, this means there have been no rules in place that require, for example, the company check to see if the credit will be unaffordable repayments. There have been no caps on the fees they can charge. In 2021, some Buy Now Pay Later companies developed their own 'code of practice' aimed at protecting consumers which does provide some consumer protections including access to external dispute resolution. But this is voluntary and contains gaps. After years of consumer advocates calling for better protections, Government has stepped in and committed to regulating Buy Now Pay Later as a credit product. We expect the laws to pass in 2024.

A fairer market is good for the economy

Sometimes when we push for laws to provide better legal protections for consumers, the companies or banks push back. They say that the costs will hurt their business and in turn their employees, their customers, and the economy.

But some of our most respected economists don't agree. Rod Sims, who was chair of the ACCC for eleven years, has said that changing unfair systems contributes to a more efficient market and a stronger economy. In 2021, in a speech to the National Press Club, he said: 'It would be a major step forward for our economy, for consumers and for small business if we could address the gaps in our competition and consumer laws... Make Unfair Contract Terms illegal, introduce an Unfairness Provision, regulate the prices and services of monopoly infrastructure and introduce well-targeted regulation to deal with the more damaging market power issues.'

Second, companies sometimes don't follow the rules. We see evidence that banks, energy companies and telecommunications companies have not complied with their legal obligations or followed their own policies, including in relation to responsible lending, providing hardship assistance and debt collection. Sometimes the failure is due to flawed systems or human error (or incompetence). Sometimes — rarely — it appears that companies deliberately do the wrong thing.

For example, Alinta Energy was fined \$1.125 million in 2021 for placing unnecessary barriers to people who said they were in financial hardship, requiring them to see a financial counsellor before granting hardship.²⁸ This was a breach of the Energy Retail Code. Then it happened again, and Alinta were fined \$380,000 in 2022 for failing to provide adequate assistance to some of its customers who were in financial hardship.²⁹

A client experience: Not told about hardship



'I thought I knew my rights. Knew to keep in contact with creditors, work out payment plans etc but didn't realise about hardship relief and that I could ask for more help or more time. I've been struggling for so long. I now have a plan and things are going to be ok. Creditors treated me differently when I knew what to ask for. Helped a lot when I mentioned I had spoken with [the Helpline]. Their attitude changed immediately.'

— Feedback from a caller to the Helpline in a client survey, 2023

Financial counsellor's perspective



Utility providers are still not adhering to the Payment Difficulty Framework. We still see a lot of people who are eligible for Utility Relief Grants but the company isn't telling the person that, they are just sending them to the Helpline.

— Kane, Consumer Action financial counsellor

Third, even when there are rules in place to protect people, they're not always strong enough, or enforced enough, and so companies get away treating consumers badly for years. This is more likely to be the case when industry makes its own rules. The telecommunications industry is a case in point.

²⁸ [Alinta Energy pays more than \\$1 million for putting hurdles in way of help | Essential Services Commission](#)

²⁹ [Alinta Energy pays penalties for allegedly failing to provide adequate assistance to customers in financial hardship | Essential Services Commission](#)

Telecommunications Consumer Protection Code weak as water

In 2023, researchers found that the rates of financial hardship for telecommunications bills (phone and internet) are high. A quarter of Australians experienced payment difficulty or concerns in the previous 12 months for their essential service bills. Of these, nearly 50 percent had difficulty with their phone and internet bills. But industry data from the key telecommunications companies showed only 4,388 customers were in financial hardship programs on 30 June 2022. That is a tiny 0.03 percent of all residential customers. This suggests that for every person who is in a financial hardship program with their telecommunications company, 400 people in financial difficulty are not getting help from their telecommunications company.³⁰

How do the big telecommunications companies get away with it? This kind of behaviour can happen because there are no laws to make sure telecommunications companies do the right thing by people. Instead, the telecommunications industry regulates itself. The companies develop rules themselves and agree to follow them. It's not surprising that those rules are weak.

The Telecommunications Consumer Protection Code is voluntary.³¹ If a company breaks a rule in the industry code, they won't get fined or penalised. They can keep breaking the rule until the regulator finds out (sometimes through consumer complaints) and orders the telecommunications company to follow the Code. While they can be ordered to follow the rule, they aren't fined for breaking the rule in the first place. Given this structure of incentives, it's no wonder some companies keep doing the wrong thing by customers.

Making money out of people in hardship

Fourth, some businesses create financial products that cleverly circumvent the laws and regulations that are supposed to protect people. Avoiding regulation can lead to higher profits. It can take years for regulators and law-makers to catch up. And sometimes businesses will change their models again so they can keep making money from desperate people.

For example, a company called Cigno has been changing the structure of its financial products for years to avoid regulation. Every time ASIC intervenes to stop it making loans using one lending model, it comes up with a similar product with a slightly different structure to evade regulation.³²

As mentioned above, ASIC is taking legal action against a company called Rent4Keeps that offers products that you can 'rent to buy'. ASIC alleges that the company has developed a business model and deliberately structured payment arrangements to avoid consumer protections, including caps to annual costs in the *Credit Act*. They are arguing that the consumer leases are actually credit contracts. This case is listed for hearing in 2024.

30 The research report was released by the Australian Communications and Media Authority using data from telecommunications companies and independent surveys. https://www.acma.gov.au/sites/default/files/2023-04/Financial%20hardship%20in%20the%20telco%20sector_Keeping%20the%20customer%20connected.pdf, p2

31 Telecommunications Act 1997 (Cth) Part 6, Div.1, section 106.

32 See [How 'bad credit' lender Cigno has dodged ASIC's grasp \(theconversation.com\)](#).



05

HOW ARE WE RESPONDING?

Our financial counselling team works in several ways to respond to the ongoing cost-of-living crisis. This includes advice and help for individuals, capacity building the financial counselling sector, and changing the unfair systems that hurt people the most.

Increases in demand

The cost-of-living crisis means more demand on the National Debt Helpline. We know that more people are calling us to ask for help. Data from Financial Counselling Australia shows a massive increase in the number of calls to the Helpline nationally over the last two years. We saw a dip in the number of calls in 2020-21, which we attribute to COVID and an increase in the rate of Newstart. In Victoria in 2022, there were 23,400 more calls than the year before, a 22 percent increase on 2021. In 2023, there were 24,500 more calls than 2022, an increase of 25 percent. Over two years, the Helpline in Victoria is receiving more than 47,000 extra calls a year. In 2022, we started to provide financial counselling help through an online chat service to people in Queensland and Victoria. Chats are up 25 percent compared to this time last year. Mortgage stress is topping the list of issues people need advice on.

Figure 4:
National Debt Helpline call volume 2018-19 to 2022-23

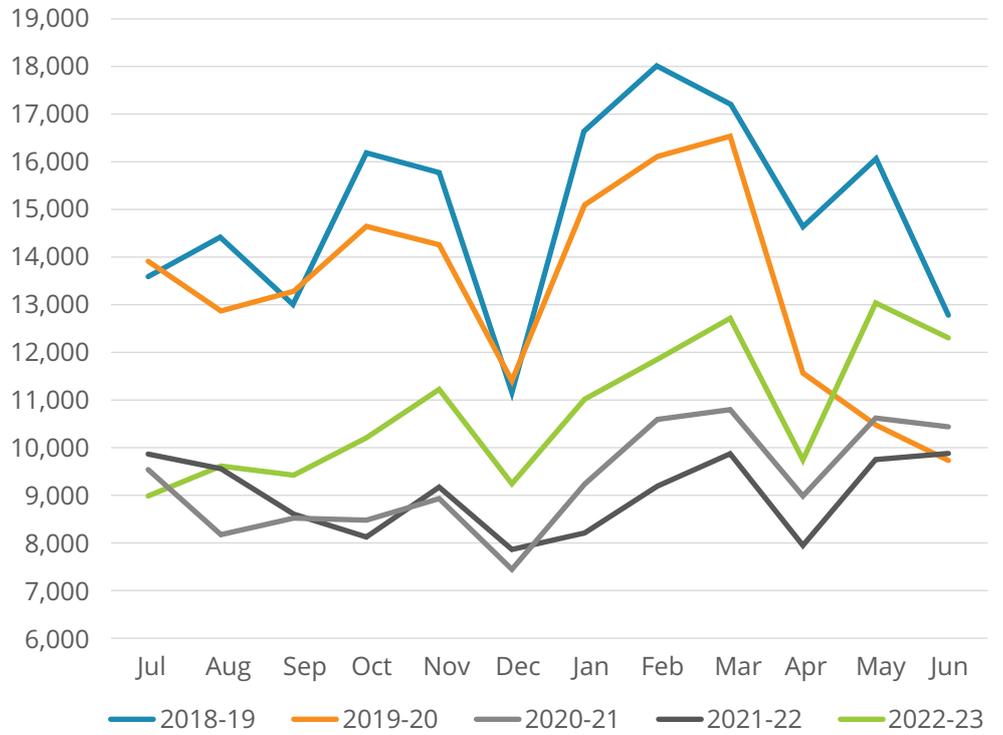
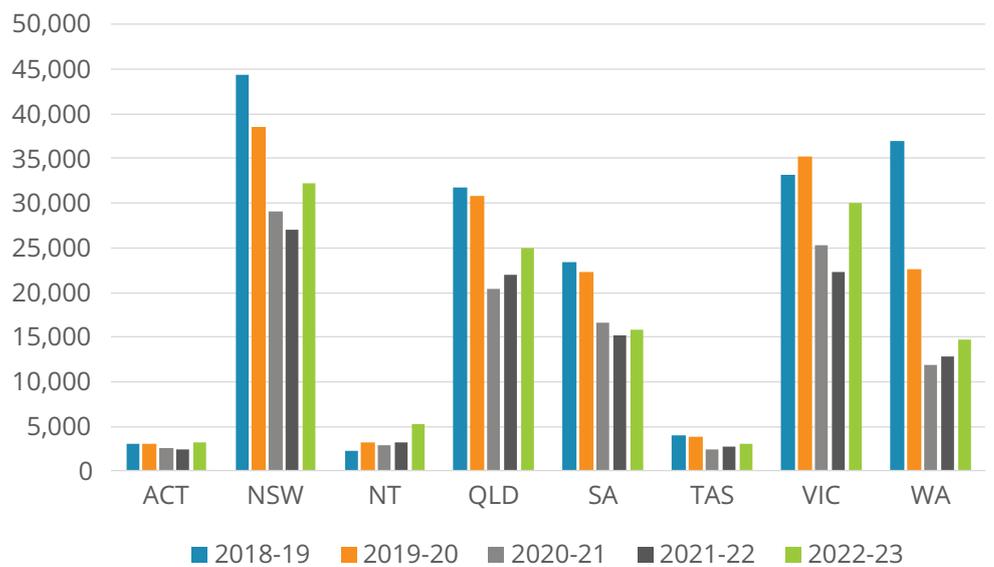


Figure 5:
National Debt Helpline call origin 2018-19 to 2022-23



Source: Financial Counselling Australia, Annual Data Report 2022-23 Financial Year

Financial counselling advice and help

Our financial counsellors answer the phone and talk directly with people who need help every day. They listen to people who are in financial stress. They provide information about the options they have. They provide information about their rights and the obligations of their creditors. They help people figure out what expenses they should prioritise (usually housing and food).

Simple, one-off advice that provides a person with information about their rights can be incredibly effective. The people who call the Helpline are often in a state of heightened stress from the money juggle. They may have kept information about their financial situation from friends and family. They may feel they have no options. They may have spoken with creditors but have not received independent advice from anyone. Just being aware of their options can be incredibly empowering. These phone calls can change people's lives.

A client experience: A life-saving call



The advice given gave me a sense of relief when I was feeling complete hopelessness. I had considered taking severe drastic options involving some sort of self-harm as I was staring into the abyss, but the call literally saved my life.

— Feedback from a caller to the Helpline in a client survey, 2023

Sometimes a one-off conversation and advice is all a person needs. If they need more help, we will make a 30-minute booking to have a longer chat within a couple of days. During that half hour our financial counsellors will do a full assessment, looking at income, expenses and debts.

If a person just has one debt and a quick intervention would help, we may do 'limited advocacy'—we ask permission to write to the creditor to try and sort a problem out fast and early.

If a person requires more support or has a complex case, we will make a referral to a local financial counsellor for intensive casework help. We prioritise referrals for people who are high vulnerability, or have low capacity for self-help, or where the problem is having a high impact—for example where a person is at risk of bankruptcy or home loss. We refer about 30 percent of callers to community based financial counsellors. All services funded by Consumer Affairs Victoria, and many others, have agreed to accept those referrals.

Demand for financial counselling is so high that many community-based financial counsellors have long waiting lists. To ensure clients receive the assistance they need sooner, we have worked with state sector peak Financial Counselling Victoria to create and continue access to current waitlist information from financial counselling agencies across the state. If a local service can't help, we'll look at alternative referrals or, if the case is suitable, provide limited advocacy.

Building relationships so people can find us

Most people will never have heard of the National Debt Helpline. That's ok if they don't need help. But we want to make sure people can find us if they do need help. To ensure this happens we work with government, other community sector agencies, Victoria Police, creditors, debt collectors and industry players to make sure they know about our service and can refer people to us when they need help.

Our data for the first half of 2023 showed that the highest number of referrals came from creditors (17 percent), community agencies, police and government agencies.

In addition to staffing the Helpline, our financial counsellors attend the Federal Court bankruptcy list every week to provide advice to people who are facing imminent bankruptcy. They talk to people referred by the Court about their situation, their rights and options, and any alternatives to bankruptcy that may be available. They can seek leave of the Court to speak on the client's behalf, including to ask for an adjournment so the client can seek legal or further financial counselling advice.

Financial counsellor's perspective



Going to the Federal Court Bankruptcy List gives us a clear picture of the impact of debt and hardship on the spectrum, from borrowing to debt collection to bankruptcy. Insolvency is a big part of debt recovery. This informs our advice to people who call the Helpline and we share that knowledge through training for the rest of the sector.

— Kane, Consumer Action financial counsellor

Training and capacity building the financial counselling sector

Increased demand on the Helpline means our financial counsellors have had to work smarter to help the people who call us.

We are working with the financial counselling sector to meet increasing demand. We build relationships and work with community-based financial counselling services to facilitate effective referrals from (and to) the Helpline. We work with our legal and advocacy teams to provide technical training to financial counsellors in Victoria and nationally. This training is informed by our financial counsellors' experience, our legal team's expertise and casework, and the policy and advocacy work. See Attachment 1.

Community-based financial counsellors have a wealth of insights and intelligence about their local communities and the issues that affect them. We share what we know with the sector, and we learn from the sector in return.

Financial counsellor's perspective



I always say I learn more from preparing a training session than I do from attending one. You have to do research to understand the details. And then you'll always get questions from other financial counsellors that you hadn't considered.

— Kane, Consumer Action financial counsellor

Working in a coordinated way

We have long worked closely with our sector colleagues, including providers of the Helpline in other states. More recently, we have joined together in a consortium with Care Financial Counselling in the ACT and with the Financial Rights Legal Centre in NSW to provide an expanded online chat service.

The chat service operates Australia-wide from 9am-8pm Monday to Friday. Chatters can 'speak' to our Helpline financial counsellors by exchanging messages with them through a dedicated online platform called Freshchat. For Victoria and Queensland, about half (51 percent) of enquiries received are 'resolved' in the chat and close to a third (about 31 percent) result in the chatter accepting further assistance over the phone or a referral for ongoing support and advocacy from their local financial counselling agency. The remaining enquiries result in assistance via email or referrals to other, non-financial counselling service types.

In 2023, Care and Financial Rights Legal Centre collaborated to align their data. This project aimed to address the problem of the ten different National Debt Helpline provider agencies recording 'presenting issues' information in different ways. The inconsistency in data collection made it impossible to answer simple questions like, 'How many callers nationally seek help with payday loans?' Through sharing and comparing existing approaches, as well as consultation with Financial Counselling Australia and others, our three agencies settled on a list of 'presenting issues' and invited other Helpline agencies to adopt it for their data collection. At the date of writing, four agencies – our three and one other – have committed to using the list to capture presenting issues data. From 1 January 2024, the partners now record and report the presenting issues in the same way, using the same categories and taxonomy, meaning we can combine and compare our data, and quickly. This will allow a far better analysis of the volumes and picture of hardship in Australia and trends across the Helpline. We are working toward a clearer picture of emerging issues and intersections with vulnerabilities, beyond what the DEX or agencies' individual client management systems can produce. We are hopeful that the project serves as a 'proof of concept' and demonstrates that a consortium of likeminded agencies can deliver excellent services, capture consistent data, produce high quality evidence of need, reach and impact, and apply what they learn to shape a fairer system for all consumers.

Supporting self-help – giving workers and clients tools they can use

Consumer Action has a long record of providing resources to enable people to resolve their own problems. This work is crucial to increase our reach when our resources are so limited.

Some of our resources are relatively simple and consist of template letters that people can adapt and send to creditors. Other resources are more sophisticated. For example, Consumer Action has developed a number of 'digital tools' that enable people to complete an online form to generate a personalised letter. The first such tool, Demand a Refund, was designed to help people demand a refund for 'junk' insurance products. It has been hugely successful. More than \$35 million has been claimed through Demand A Refund, ASIC has secured \$160 million in remediation, and class actions have settled for over \$300million.³³ Tools developed in 2023 enable people to challenge loans made by Cigno, a fringe lending company. In three months last year, 229 people accessed these tools to generate letters and 148 of the users also generated complaint letters to ASIC.

Our financial counsellors are closely involved in the development of these innovative products, and work with our engagement team to promote them to clients, other financial counsellors, and community workers.

Changing laws and systems to make them more fair

Financial counsellor's perspective

We know that for every person who calls the Helpline, there are thousands more that are struggling with the same issues but don't, won't, or can't seek help. This is why the financial counsellors at Consumer Action take action to change systems, support and partner with the broader financial counselling sector, and find new ways to help more people.

Involvement in advocacy and law reform is the thing I like most about working at Consumer Action. It is one of the most rewarding things to be able to use client stories and case studies to contribute to change.

—Kane, Consumer Action financial counsellor

We use this information to track what's happening in the market, the causes of debt, and the impact that the system has on people. We then use that knowledge to advocate for change.

³³ https://consumeraction.org.au/wp-content/uploads/2023/09/Legal-Needs-Analysis-Report_UPDATE_FA4_WEB.pdf page 31

Talking to the Senate about poverty

Kirsty is a financial counsellor who has worked at the Helpline for five years. She appeared at the Senate Inquiry into Nature and Extent of Poverty in Australia to share frontline insights from her work:³⁴



"I spoke to a single mother of four, who is working full time and who has a mortgage. Because of the interest rate rises, she has now found herself struggling to make ends meet, even though she hasn't had trouble before. To make it through a fortnight, she's been skipping meals to make sure her kids have enough to eat and putting essential living costs onto credit card and 'buy now, pay later' accounts. She's trying everything to make sure her mortgage gets paid because she feels like there are no alternatives available to her....

This case is by no means extraordinary. We get calls like this every day from people on the cusp of poverty or well and truly in the middle of it. You need to understand that these people are already incredible money managers and that they're not in this situation because of a personal failing or reckless spending. It's systemic. It's a situation they're in, and it's just not enough money to live on."

—Kirsty, Consumer Action financial counsellor

Our financial counsellors can explain, clearly and authoritatively, when things aren't working and the impact that has. They do this again and again, in the media, in meetings with regulators, in meeting with industry, and with state and federal government.

That ongoing work, always informed by the experiences of people who call the Helpline and shared by the financial counsellors on the front line, achieves big changes to systems.



Working on systemic advocacy helps me understand the details of how the system works. If you get into the details—the inside of the rules and policies and processes in industry—then you can bring this knowledge to the work with clients.

—Shungu, Consumer Action financial counsellor

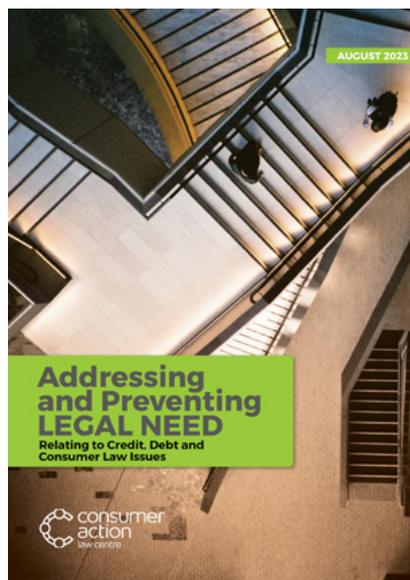
Financial counsellor's perspective

³⁴ Hansard 15 August 2023, [ParlInfo - Community Affairs References Committee : 15/08/2023 : The extent and nature of poverty in Australia](https://www.parlinfo.gov.au/CommunityAffairsReferencesCommittee/15/08/2023/The%20extent%20and%20nature%20of%20poverty%20in%20Australia) (aph.gov.au)

Changing the way industry responds to financial hardship

Remember how the telecommunications code is weak as water? In 2023, after a meeting arranged by Consumer Action with stakeholders at our offices with frontline insights shared by one of our financial counsellors, the Minister for Communications Michelle Rowland MP directed the Australian Communications and Media Authority (**ACMA**) to make an enforceable industry standard to ensure appropriate support is provided to telecommunications customers experiencing financial hardship.³⁵

We see very clearly that our systemic work can affect (reduce) demand for help. Our 2023 Legal Needs Analysis provides some examples, including how our advocacy work to improve regulation of sales of solar products led to improved standards in the marketplace and fewer calls to our service about dodgy solar products.³⁶



Addressing and Preventing Legal Need:
Relating to Credit, Debt and Consumer Law Issues
2023

³⁵ [Albanese Government to improve safeguards for telco consumers experiencing financial hardship | Ministers for the Department of Infrastructure](#)

³⁶ [Addressing and Preventing Legal Need: Relating to Credit, Debt and Consumer Law Issues 2023 \(consumeraction.org.au\)](#)



06

CONCLUSION

The cost-of-living crisis is having a real impact on a broad range of people. People are finding their own ways of getting by — accessing credit, picking up additional work and sacrificing a lot — even essentials — to get by. Many of these adjustments can only be made one time and can make debt spirals or housing insecurity even more pronounced and difficult to recover from.

Financial counsellors are at the front line of the cost-of-living crisis. The work they do to assist people struggling with debt and advocate for fairer laws and systems is crucial.

Unfortunately, there's no end in sight to the fight for laws and systems that benefit consumers. In any market, there will always be businesses that adapt their products and practices to evade the law. It takes regulators and law-makers time to catch up. We're seeing this happen now, in real time, as lenders change their loan terms to evade new regulations. For example, a new law which came into effect in mid-2023 places limits on the interest lenders can charge for loans under \$2000. The very same companies are now lending amounts of \$2050, which conveniently allows them to charge higher interest rates.

The first people to notice this systemically were the financial counsellors on the Helpline at Consumer Action. By listening to clients and the trends in our data, they identified that it was an emerging issue. It is their knowledge, client stories and media appearances that bring attention to the unfair products and industry practices that cause and exacerbate financial stress. Their contribution to law reform and advocacy work is a crucial part of Consumer Action's ongoing work to change unfair systems and work towards our vision of a just marketplace, where business plays fair.

AN INTEGRATED, IMPACTFUL FINANCIAL COUNSELLING PRACTICE

Our service model

Consumer Action has developed a sophisticated and integrated service model, with each team working together to deliver services to clients, and work towards systemic change.

The Legal Team

The **Legal Team** provides some direct legal advice to people who phone the Consumer Advice Service. The team also provides limited legal support and representation for clients and undertakes some complex casework, including strategic litigation.

A key feature of our legal service is the telephone Worker Advice Service. This provides expert advice to hundreds of financial counsellors across the state. This service embeds our connections and builds trust and relationships with other financial counsellors and the community agencies that they work in.

In 2019, we trialled a new program in which Consumer Action's financial counsellors work on particularly complex cases with the support and advice of a lawyer. A lawyer provides information about obligations of lenders and clients' rights under the law. The financial counsellors are able to use this knowledge to advocate on behalf of clients, bringing their financial counselling perspective and client skills. This enables the organisation to provide intensive casework support to more clients. It also builds the skills and expertise of our financial counsellors, enhancing their ability to provide an excellent service to clients.

Financial counsellor's perspective

That integrated model (FCs working with lawyers) gives us the knowledge and the confidence to talk through issues that other FCs probably wouldn't touch. For example, the increased cost of living makes people more susceptible to scams. We're comfortable talking about the details of a scam with people and exploring their options. We are confident to make a warm referral for legal help.

—Shungu, Consumer Action financial counsellor

Financial counsellor's perspective



Integrated practice improves the lawyers' practice. Financial counsellors think differently to lawyers and approach cases in a different way. The legal team says financial counsellors can often get better outcomes than a lawyer.

—Katia, Director of Financial Counselling team at Consumer Action

The Engagement and Learning Team

The **Engagement and Learning Team** leads delivery of legal and skills training for financial counsellors and community workers across Victoria. Our financial counsellors work with lawyers to provide training to the financial counselling sector, community workers, and lawyers from other community legal centres. They have particular expertise and provide training in the skills needed to provide financial counselling in new ways, including via telephone and online chat.



We work to pass our knowledge from the Helpline to other financial counsellors in the sector. This includes training about how to respond to scams and how to work with people on the phone. I learn something every time I prepare a session. 'A rising tide lifts all boats'.

—Kane, Consumer Action financial counsellor

Financial counsellor's perspective

The Engagement team also engages with the community and builds partnerships. Our financial counsellors attend community engagement sessions to reach people who might not know about the Helpline, with a focus on Aboriginal and Torres Strait Islander communities in Victoria. We have a long-term partnership with the Victorian Aboriginal Legal Service. When we do outreach we seek to partner with the local community legal centre, local services, and local financial counsellors.



It's very humbling to work directly with community. It moves things from theory to real life. We learn about how the systems actually match reality and people's experiences.

—Lisa Michelle, Consumer Action financial counsellor

Financial counsellor's perspective

The Policy and Advocacy Team

The **Policy and Advocacy Team** leads the organisation's work in changing unfair laws and systems. This includes working with industry (including banks and insurers), regulators across financial services, consumer protection, telecommunications and energy, and government (both state and federal). Financial counsellors play a crucial role in this work, sharing their knowledge about client experiences and cases to contribute to policy, advocacy and campaigns work.

Our financial counselling team sits right next to the policy and advocacy team in our office. Every day, they let the advocacy team know what issues they are hearing about on the Helpline. They share client stories, which go into submissions, briefing papers and are raised in meetings with regulators and companies. The financial counsellors connect the policy team with clients who are willing to speak to media, supporting them to talk about their experiences and how they affected them.

Financial counsellors frequently talk to media about their experiences working with people in financial difficulty and the issues that impact them. Their work with clients, including taking on complex cases, gives them a unique ability to provide insights into the unfair practices that banks, power companies and dodgy lenders have on clients' lives. This work amplifies the voices of people who have been directly affected by unfair systems. It also promotes the Helpline and the role of financial counsellors more broadly.

One reason this work is high impact is because of Consumer Action's established profile—and that of the consumer sector generally—and our strong relationships with companies, regulators and government. Our financial counsellors can bring clients' experiences straight to the people in power who make decisions.



 /consumeractionlawcentre

 consumer_action

 consumeraction.org.au