



## Submission to the Select Committee on the Cost of Living

**Date of submission:** 28 March 2024

## About Financial Counselling Victoria and the financial counselling sector

Financial Counselling Victoria (FCVic) is the peak body and professional association for financial counsellors in Victoria. We provide resources and support to financial counsellors and their agencies who assist vulnerable Victorians experiencing financial difficulty. We work with governments, banks utilities, debt collection and other stakeholders to improve approaches to financial difficulty for vulnerable Victorians.

Financial counselling is a free, confidential, and independent service. It provides vital help for people experiencing, or at risk of, financial hardship. Financial counsellors are uniquely qualified professionals, specially trained to deal with complex financial matters. They assist more than 23,000 Victorians each year – including people impacted by catastrophic natural disasters, newly arrived migrants and refugees, and more than 3,800 family violence victim-survivors.

## About this submission

We welcome the opportunity to provide a submission to the Select Committee on the Cost of Living. We acknowledge and support the important submissions that have been provided by other community service organisations to date, especially that of our national peak body Financial Counselling Australia. Our submission focuses on areas that are relevant to our work in Victoria and is informed by what our members have told us about cost of living (COL) pressures experienced by vulnerable Victorians.

Further questions about this submission can be sent to [achan@fcvic.org.au](mailto:achan@fcvic.org.au).

## Summary of Recommendations

**Recommendation 1:** We support the #RaisetheRateforGood campaign, and recommend that JobSeeker and other income support payments are increased to meet the Henderson Poverty Line, with supplementary payments to vulnerable groups to meet their specific needs.

**Recommendation 2:** We recommend that the government support wage growth, including by written submissions to the Fair Work Commission through the Annual Wage Review and increased funding to the Fair Work Ombudsman to support workers rights and address wage theft and underpayments.

**Recommendation 3:** We endorse the recommendations of the Renters and Housing Union in their submission to this Inquiry, particularly those relating to:

- broadening eligibility for rental welfare
- limiting rent increases
- removing no-grounds terminations
- discretion by state tribunals to decline evictions in cases where it would cause renters homelessness, undue hardship or significant detriment
- commitments to investing in and developing public housing dwellings

**Recommendation 4:** We recommend that the rental minimum standards in all states and territories should be reviewed and revised to ensure that all rental properties phase out energy inefficient technology by certain dates, with updated requirements related to adequate energy-efficient cooling, heating and ventilation.

**Recommendation 5:** We recommend that banking and government practices are reviewed and revised so that:

- Mortgage holders receive the best interest rates offered by their bank for their particular mortgage product automatically – e.g. the lowest rate often offered to new customers but not existing customers
- More long-term hardship options are offered by banks beyond the small offers of temporary relief such as deferment or reduced payments – e.g. realistic ongoing payment plans and amended loan terms
- A right to suspend mortgage repayment for up to two years to be written into mortgage contracts, supporting any unexpected changes in life circumstances
- A “Mortgage Default Market Offer” is implemented, setting a reference price and safety net for mortgage holders, similar to that in the energy sector
- State courts have discretion to decline possession orders in cases where it would cause mortgage holders homelessness, undue hardship or significant detriment

**Recommendation 6:** We endorse the recommendations of Energy Consumers Australia in their submission to this Inquiry, particularly those relating to direct assistance and concessions to households to help with rising utility bills. We also support the recommendations of the Mind the Gap report by the Consumer Policy Research Centre (<https://cprc.org.au/report/mind-the-gap/>) relating to closing the gap between those consumers who were eligible for energy concessions, and those who actually claimed these concessions.

**Recommendation 7:** We recommend that formal systems-wide investigations into an opt-out model for concessions on utility bills be undertaken, moving away from an informed opt-in model to help encourage greater use of available concessions.

**Recommendation 8:** We endorse the recommendations of Foodbank in their submission to this Inquiry. Further, we recommend that funding be increased to regulatory agencies such as the Australian Competition and Consumer Commission and other consumer bodies to equip them to better respond to instances of anti-competitive behaviour in the grocery supply chain, and actions designed to mislead consumers.

**Recommendation 9:** We reiterate Recommendations 1 and 2 of our submission, and also recommend a full-scale review of the taxation system and existing tax thresholds, aligned with current median Australian incomes, to maximise take-home income for low-income earners and tax for high-income earners.

**Recommendation 10:** We endorse the recommendations of the Global Centre for Preventative Health and Nutrition (GLOBE) and CHOICE in their submissions to the Senate Select Committee on Supermarket Prices.

**Recommendation 11:** We reiterate all the recommendations put forward in our submission to the House Standing Committee on Economics Inquiry into insurers' responses to 2022 major floods claims: <https://fcvic.org.au/wp-content/uploads/FCVic-Submission-Insurer-responses-to-the-2022-Floods-FINAL.pdf>

**Recommendation 12:** We recommend fast-tracking already-proposed legislation to regulate BNPL providers and enforce credit reporting and responsible lending obligations for all levels of lenders and credit providers.

**Recommendation 13:** We recommend that hardship practices be legislated as a requirement for all banks, lenders and credit providers with minimum standards to be developed and implemented. These minimum standards should include compassionate support of hardship in situations including natural disasters, family violence, cultural and linguistic diversity, and more.

**Recommendation 14:** We endorse the recommendations included in the submission by Beyond Blue to this Inquiry relating to investment into affordable mental health services and supports.

**Recommendation 15:** We recommend policy changes to support greater access to general healthcare including increased access to a Commonwealth Low-income Health Care Card for more vulnerable Australians, and revision of the Medicare Benefit Schedule to encourage increased bulk-billing by general practitioners.

**Recommendation 16:** We recommend investing in financial counselling services through funding increased services with permanent staff, encouraging new entrants into the sector with discounted course fees, and funding the professionalisation and health and wellbeing of the sector. Further detail on these opportunities can be found in our 2024/25 Victorian State Budget Submission: <https://fcvic.org.au/wp-content/uploads/FCVic-Pre-Budget-Submission-2024-25.pdf>

## Cost of living and financial counselling

The cost of living (COL) pressures of recent years has created significant increased demand for financial counselling services, with reported wait times of over two months at many services. Financial counsellors are now seeing more and more middle-income earners who, for the first time, simply can't afford to pay their bills.

Combined with systemic intersecting social issues including family violence, mental health, housing affordability, increased availability and use of credit products and rise in sophisticated scams, financial counsellors are grappling with a perfect storm of complexities that are negatively impacting many Australians.

This is exacerbated by insufficient resourcing and chronic underfunding of the sector, characterised by short-term project-based funding in response to particular events and needs.

The COL crisis – or affordability crisis – needs to be addressed urgently through a range of government fiscal and social policy and market regulatory responses, supported by an urgent ongoing injection of funding into social support services like financial counselling that create true impact for the most vulnerable Australians.

**The time to act is now.** We do not have the luxury of waiting – households are now vulnerable to power disconnections, repossessions, homelessness, and critical health problems because of this COL crisis.

## The cost of living pressures faced by Victorians

Financial counsellors are reporting that COL pressures are being experienced by their clients across several areas, most commonly in housing, utilities, food costs and insurance, as detailed below. With social security payments that fall significantly under the poverty line, insufficient wage growth and evidence of widespread wage theft by employers, clients are struggling to cover their essential living expenses.

**Recommendation 1:** We support the #RaisetheRateforGood campaign, and recommend that JobSeeker and other income support payments are increased to meet the Henderson Poverty Line, with supplementary payments to vulnerable groups to meet their specific needs.

**Recommendation 2:** We recommend that the government support wage growth, including by written submissions to the Fair Work Commission through the Annual Wage Review and increased funding to the Fair Work Ombudsman to support workers rights and address wage theft and underpayments.

## Housing

Key issues reported by financial counsellors when it comes to housing COL pressures include:

- High costs of rentals
- Scarcity in the rental market and protections for renters
- Poor quality rental housing leading to increased costs
- Mortgage stress and inadequate supports offered by banks

Other submissions to this Inquiry by tenancy specialists such as the Renters and Housing Union have already provided comprehensive information on the nature of rental COL pressures and have provided recommendations on regulating the rental market. Addressing the lack of available affordable rentals is also a key component of addressing housing COL pressures.

**Recommendation 3:** We endorse the recommendations of the Renters and Housing Union in their submission to this Inquiry, particularly those relating to:

- broadening eligibility for rental welfare
- limiting rent increases
- removing no-grounds terminations
- discretion by state tribunals to decline evictions in cases where it would cause renters homelessness, undue hardship or significant detriment
- commitments to investing in and developing public housing dwellings

Further to these points on the rental market, we add that the scarcity of affordable rentals can lead to desperate renters accepting poor quality housing that is detrimental to their health and increases their living costs overall. Financial counsellors have reported to us that *“many clients have hot water systems or heaters that fail in some way and very high bills result to the renter, however the failure was the landlord’s fault”*.

**Recommendation 4:** We recommend that the rental minimum standards in all states and territories should be reviewed and revised to ensure that all rental properties phase out energy inefficient technology by certain dates, with updated requirements related to adequate energy-efficient cooling, heating and ventilation.

With regards to the increasing number of cases of mortgage stress reported by financial counsellors, we understand and recognise that the cash rate target is set by the Reserve Bank with little influence by the government. However, banking practices can be addressed to ensure that people are supported appropriately to reduce risks of possession orders by lenders and homelessness.

**Recommendation 5:** We recommend that banking and government practices are reviewed and revised so that:

- Mortgage holders receive the best interest rates offered by their bank for their particular mortgage product automatically – e.g. the lowest rate often offered to new customers but not existing customers
- More long-term hardship options are offered by banks beyond the small offers of temporary relief such as deferment or reduced payments – e.g. realistic ongoing payment plans and amended loan terms
- A right to suspend mortgage repayment for up to two years to be written into mortgage contracts, supporting any unexpected changes in life circumstances
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## Utilities

Financial counsellors have reported the rising cost of utilities as a trigger factor for people accessing financial counselling services, reporting poor hardship practices from energy providers, inability to access concessions and overwhelming energy debts. Once they seek assistance from a financial counselling service, financial counsellors then report difficulties with getting their professional third party authority recognised by energy providers.

The following case studies have been de-identified from some provided to us by financial counsellors:

- Jean\* is on a Disability Support Pension, living in private rental accommodation. She has \$1,500 in arrears on her energy account due to financial hardship and is currently paying \$40/fortnight on a payment plan with her energy provider. She has already accessed the Utility Relief Grant Scheme, and the Victorian Government's Power Saving Bonus to reduce her arrears. She is being pressured by the provider to pay more, which she cannot afford. Jean is upset, frustrated, and is experiencing significant stress and anxiety.
- Dani\*, a family violence victim-survivor, is in arrears on her utility bills. Her utility provider has demanded an extreme repayment plan from Dani of \$600 a fortnight, representing 100% of her income from Centrelink. While Dani refused this payment plan, she was particularly worried about the consequences. She said, "if I comply, I can't pay bills, rent or eat – if I refuse, I'll be facing debt collectors and legal action".
- "[Energy retailer] are refusing to complete the URGS (Utility Relief Grant Scheme) form with clients over the phone, even though they are required to do so by the Energy and Water Ombudsman Victoria and Essential Services Commission. They insist on sending the forms out to the client to complete themselves."
- "[Energy retailer] representative wouldn't accept an authority from me as a financial counsellor and called a vulnerable customer to verify. She stated that according to the Privacy Act, they must confirm with the customer first even after I advised this was not the process."
- "[Energy Retailer] cold-called me and told me that they had a client who needed me to complete the URGS for them right there and then. This client wasn't even a client of [financial counselling service], they just happened to live in the same suburb. The representative argued that it was my job to assist vulnerable people, not their job."

While protections exist for energy consumers through various Codes, Codes of Practice, and guidelines across different states and territories, it appears that compliance with these codes is inconsistent and highly variable between providers, and can even depend on the customer service representative working on a particular account.

It is also clear that knowledge about various concessions, grants and relief schemes is inconsistent in the general population, and can be highly dependent on an individual's own level of English literacy and personal capability, and whether or not they reach out

for external expert help. Communication about these schemes is not reaching the people who need it most, and a more efficient way to apply these concessions needs to be developed.

**Recommendation 6:** We endorse the recommendations of Energy Consumers Australia in their submission to this Inquiry, particularly those relating to direct assistance and concessions to households to help with rising utility bills. We also support the recommendations of the Mind the Gap report by the Consumer Policy Research Centre (<https://cprc.org.au/report/mind-the-gap/>) relating to closing the gap between those consumers who were eligible for energy concessions, and those who actually claimed these concessions.

**Recommendation 7:** We recommend that formal systems-wide investigations into an opt-out model for concessions on utility bills be undertaken, moving away from an informed opt-in model to help encourage greater use of available concessions.

### Food costs

COL pressures relating to spiralling food costs are causing Australians who were previously able to make ends meet to experience financial hardship. As one financial counsellor told us, *“Many of these people are new to the (financial counselling) sector and in the past were surviving”*.

Essentially, as another financial counsellor put it, *“Centrelink and wages are just not keeping pace with essential living expenses”*.

We are not in a position to make recommendations on regulation of the free market economy to control the price of food – other expert bodies are the ones to do so, and should be funded accordingly. However, we reiterate **Recommendation 1 and 2** of our submission – actions to increase incomes for those most vulnerable have an immediate impact where the increased income is spent on essentials such as food, bills and rent, not just used to build personal wealth.

We also support recommendations in a number of submissions provided to the Senate Select Committee on Supermarket Prices, including that by the Global Centre for Preventative Health and Nutrition (GLOBE) and CHOICE.

**Recommendation 8:** We endorse the recommendations of Foodbank in their submission to this Inquiry. Further, we recommend that funding be increased to regulatory agencies such as the Australian Competition and Consumer Commission and other consumer bodies to equip them to better respond to instances of anti-competitive behaviour in the grocery supply chain, and actions designed to mislead consumers.

**Recommendation 9:** We reiterate Recommendations 1 and 2 of our submission, and also recommend a full-scale review of the taxation system and existing tax thresholds, aligned with current median Australian incomes, to maximise take-home income for low-income earners and tax for high-income earners.



**Recommendation 10:** We endorse the recommendations of the Global Centre for Preventative Health and Nutrition (GLOBE) and CHOICE in their submissions to the Senate Select Committee on Supermarket Prices.

## Insurance

As large, community-scale catastrophic weather events become more common, financial counsellors working on the frontline have gained considerable and unique insights into the challenges affecting people recovering from floods, storm events, and bushfires, and in some cases multiple events. The most significant set of consumer issues being identified by disaster recovery financial counsellors relate to insurance claims.

Financial counsellors have reported to FCVic on widespread poor practice by insurers, specifically around treatment of vulnerability of customers, transparency during claims processes, and inadequacy of cash settlements. The failure of insurers to recognise and appropriately support customers following these types of extreme events has exacerbated insurance customers' distress and impeded their recovery. This places insurers at risk of causing additional harm and detriment to their customers.

Further, even once claims are concluded, customers are left in tricky situations where the cost of re-insurance becomes financially prohibitive due to risk factors. Customers are then left with the risk of non-insurance, or going without other essentials in order to insure and protect their homes.

We suggest that the health and wellbeing role played by insurance in protecting communities and sharing risk-related cost burdens should be considered an essential service and supported where there is a service and equity gap, to deliver ongoing health and economic benefits to the community and the economy.

**Recommendation 11:** We reiterate all the recommendations put forward in our submission to the House Standing Committee on Economics Inquiry into insurers' responses to 2022 major floods claims: <https://fcvic.org.au/wp-content/uploads/FCVic-Submission-Insurer-responses-to-the-2022-Floods-FINAL.pdf>

## In summary

Finally, we note that these COL pressures do not exist in isolation. Systemic issues across the financial services sector are amplifying these pressures and must be addressed in order to truly strike at the root of the problem. This includes the predatory nature of short-term loans, buy now pay later (BNPL) providers and the accessibility of credit, and poor hardship practices by lenders, credits and other debt collectors.

People experiencing COL pressures are relying on these credit providers to keep lights on and pay for groceries while prioritising mortgage or rent payments – ultimately paying more in interest than they ever spent in the first place and falling victim to a vicious debt spiral.

**Recommendation 12:** We recommend fast-tracking already-proposed legislation to regulate BNPL providers and enforce credit reporting and responsible lending obligations for all levels of lenders and credit providers.

**Recommendation 13:** We recommend that hardship practices be legislated as a requirement for all banks, lenders and credit providers with minimum standards to be developed and implemented. These minimum standards should include compassionate support of hardship in situations including natural disasters, family violence, cultural and linguistic diversity, and more.

These COL pressures are leading to financial stress and poor mental health, and compounded by the lack of affordability of health services and bulk-billing doctors to address these health challenges.

**Recommendation 14:** We endorse the recommendations included in the submission by Beyond Blue to this Inquiry relating to investment into affordable mental health services and supports.

**Recommendation 15:** We recommend policy changes to support greater access to general healthcare including increased access to a Commonwealth Low-income Health Care Card for more vulnerable Australians, and revision of the Medicare Benefit Schedule to encourage increased bulk-billing by general practitioners.

We recognise that the recommendations put forth in this submission will take time, funds and political capital to implement. In the meantime, immediate investment into social support services to help people in need right now, is essential.

**Recommendation 16:** We recommend investing in financial counselling services through funding increased services with permanent staff, encouraging new entrants into the sector with discounted course fees, and funding the professionalisation and health and wellbeing of the sector. Further detail on these opportunities can be found in our 2024/25 Victorian State Budget Submission: <https://fcvic.org.au/wp-content/uploads/FCVic-Pre-Budget-Submission-2024-25.pdf>

On a final note, we refer to Article 25 of the Universal Declaration of Human Rights, the drafting of which Australia played a key role, and suggest that as a country, we are failing to fulfill our obligation to ensuring that *"Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control."*

We can and must do better.

**Thank you for the opportunity to provide this submission to the Inquiry on behalf of Victorian financial counsellors who each year, assist over 23,000 vulnerable people experiencing cost of living pressures.**