

7 August 2020

Public Accounts and Estimates Committee  
Parliament House, Spring Street  
East Melbourne VIC 3002

Submitted via: <https://www.parliament.vic.gov.au/paec/article/4502>

Dear Committee Members

**Inquiry into Victoria's Response to COVID-19**

Financial Counselling Victoria (FCVic) welcomes the opportunity to make a submission to the Committee's inquiry.

**About FCVic**

FCVic is the peak, professional body for financial counsellors in Victoria. Financial counsellors are professionals, regulated by ASIC, who provide advice, support and advocacy in relation to financial issues to people experiencing financial hardship. Financial counsellors must be eligible to join FCVic to be able to practice, and must hold the relevant diploma qualification and meet strict professional standards and currency to qualify for membership.

Financial counsellors must work with clients without charge, and without conflicts. In their work financial counsellors assist and support vulnerable people in or at risk of financial hardship. Many clients are affected by family violence, in particular financial abuse, or by other factors, such as gambling harms, mental health issues, fines debt, or unscrupulous lending practices such as Pay Day lending.

**Other Submissions**

FCVic endorses and supports the submissions to this inquiry by VCOSS and Consumer Action Law Centre. The impacts of the COVID-19 situation on vulnerable Victorians have been of particular concern, and community service organisations have great information and insights they can provide the committee about these issues.

Our submission is focused on some specific, looming challenges for our sector and its capacity to respond effectively to community needs.

## A looming challenge

As a consequence of the pandemic, and necessary lockdown measures to combat it, Victoria is undergoing a significant economic dislocation, from which recovery will be long-term. In turn this is leading to a community crisis in levels of hardship, making it essential to plan for effective response and recovery measures capable of reducing and limiting the harms to individuals and communities.

Financial counsellors are key frontline workers dealing with hardship issues, akin to the role of healthcare workers in the public health frontline with COVID 19. However the scale of hardship coming will dwarf the capacity of a sector in which there are currently only about 250 financial counsellors currently practising in Victoria.

We have heard comments from departmental staff that the government would want to see 'evidence' of a problem with hardship before responding. That is a bit like waiting for COVID-19 to get to hundreds of active cases before acting on ICU capacity and PPE.

If the looming financial crisis is viewed through a public health lens, it should be clear that planning and preparation needs to begin now, before the crisis hits.

We have already seen the devastation from underestimating and being reactive to hardship needs and pressures, evident in the working and migrant communities now experiencing high COVID-19 infection rates due largely to inadequate supports (such as lack of pandemic leave) being put in place.

## Situational Summary

- There is an impending wave of massive, widespread hardship, likely to emerge at the end of the year. The economic forecasts suggest the recession will be more severe than the early 1990s recession. However, a key difference between 2020 and 1990 is the level of household debt in our community we are starting from.
- What is looking like the end of year cliff is not just about the end of/reductions in JobKeeper and Job Seeker, it involves:
  - up to **900,000** Australians on a mortgage deferral from their bank having to resume payments (Australian Banking Association estimate)
  - the ending of other debt moratoria (council rates, utility debts, rent reductions)
  - business failures, widespread crystallised unemployment and reintroducing punitive conditionality on Jobseeker benefits
  - widespread psychological distress and anxiety
  - exhaustion of early access super money

- exposure of thousands of newly vulnerable people to unregulated pay day lenders
- Everyone connected with the financial counselling sector is deeply worried about the unprecedented wave of hardship that will be sweeping the country, both in human terms and in terms of demands on our sector itself.
- There were not enough financial counsellors to deal with demand *before* Covid and with only a small proportion of the community having any idea financial counsellors exist.
- Capacity constraints mean there are not enough qualified and experienced financial counsellors to fill vacant positions and to supervise and train large numbers of new financial counsellors to a practice standard in a short time frame. There are also not currently sufficient jobs to employ large numbers of new financial counsellors (though that is likely to change rapidly with demand expanding).
- There are 55 financial counselling students currently undertaking the Diploma at RMIT (a record), with over 70 additional students having now started in a mid-year intake. These 55 students should have been engaged in placements starting in April, giving a practice context to the diploma course that is essential to their learning. As of July *only 1 of the 55 students had a placement*, due mainly to barriers resulting from Covid 19 restrictions on work activity. Our assessment is that with the right resourcing and coordination these barriers can be overcome, but this needs to happen as soon as possible.
- Right at the point where we desperately need qualified financial counsellors in large numbers coming through, we are looking at a large group of students being denied adequate training and unable to qualify.
- Supervision of students on placement is key, but in a Covid context this will take a much more resource intensive form than in pre-Covid times. Fortunately, in the pre-cliff atmosphere much of our sector is reporting reduced demand right now (due to the debt moratoria, and government supports like JobSeeker). This means there is capacity to deploy necessary resources intensively for supervision of students on placement. But in all likelihood this opportunity will disappear as the economic recession bites harder.

## Federal developments

- Our Federal body, Financial Counselling Australia (FCA), has been funded by the Federal government to put resources into a range of things, including vigorous promotion of financial counselling through the National Debt Helpline (run by two organisations in Victoria). This will guarantee overwhelming levels of demand for financial counsellors, even if other things do not.

- FCA has also been funded to:
  - run an internship program that will see financial counsellors training on the job and qualifying by July 1 next year. There looks like some 32 internship positions being offered in Victoria. FCA are giving us funding to support this program, and broader workforce development, which will be a great help.
  - develop a ‘virtual placements’ model for diploma students, which may be helpful but also concerns us when it comes to adequacy of training and preparation of students for practice.
- The Federal funding for FCA came some months ago in recognition of the need to expand our sector capacity. In Qld, after years of struggle the State Government has at last started funding the peak body and boosting the sector. In SA, the State Government has set up a sector planning taskforce (after our SA counterpart peak advocated for it, drawing on the position we developed here). In WA, the State Government announced a major financial counselling sector-wide boost on 5 July.<sup>1</sup>

## Victorian State Government sector response so far

The State Government has provided welcome funds for financial counselling in its energy, tenancy and mental health COVID-19 response packages. We welcome this funding and recognition of community vulnerability. However these are bits and pieces when we need a larger canvas strategy. Even as we undertake work on these projects, which help increase awareness of our sector and its capacity to support people in need, there is an ongoing question from all our new partners – where can we access a financial counsellor? – for which we do not currently have any reasonable response.

## What is needed

The capacity constraint issues are complex and require the heft of government support to address.

We are doing what we can within the sector, but we can see a disaster looming if we cannot get Government leadership in developing a sector plan or strategy.

We are **not** asking for enormous amounts of money or funding for some very large number of financial counselling positions. We just want some concerted attention and ability to deploy relatively modest resources to fix at least some of the bottlenecks and constraints, so that when hundreds more financial counsellors are needed there can be a response.

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<sup>1</sup> <https://www.mediastatements.wa.gov.au/Pages/McGowan/2020/07/6-8-million-financial-counselling-boost-to-aid-household-recovery.aspx>

**Conclusion**

In my role I am privileged to introduce professionals, workers and members of the community to the financial counselling profession. When I explain what financial counsellors do, and how they work, without fail people get excited and see all sorts of situations in which a financial counsellor could provide supports and crucial early interventions that prevent or reduce harm.

The financial counselling sector has grown from small beginnings in the community sector 40 years ago, and has had big impacts in establishing credit regulation, and specialist responses to hardship by industry. In the last 15 years, it has professionalized and begun to grow a little, but now it needs capacity to respond to unprecedented levels of debt and hardship in our community.

We would be happy to meet with the committee to discuss this submission as it undertakes its deliberations.

Yours sincerely,



Dr Sandy Ross  
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Financial Counselling Victoria