



Energy & Water
Ombudsman NSW
Free, fair and independent

19 March 2019

Ms Louise Sylvan
Independent Reviewer
Department of Social Services
GPO Box 9820
Canberra ACT 2601
By email: financial.counselling.review@dss.gov.au
cc: louise@louisesylvan.com.au

Dear Louise

Review of the coordination and funding of financial counselling services across Australia

Thank you for the opportunity to comment on the *Issues Paper* for this review.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers. Our comments are informed by these complaints and from our community outreach and stakeholder engagement activities.

EWON's interaction with Financial Customers

In 2017/18, 10.7% of all complaints we received related to 'payment difficulty'. As well as working with the customer's energy retailer and ensuring that energy and water supply is not disconnected, we very often also refer these customers to financial counsellors; there were 674 such referrals in 2017/2018, up from 567 in 2016/2017 and 561 in 2015/2016. We are also often contacted by Financial Counsellors acting on behalf of their clients - this is not reflected in these figures.

The small sample of case studies provided in **Attachment 1** are indicative of the many complaints EWON receives which require Financial Counsellor intervention. We recognise that when customers identify affordability issues to us it is likely not isolated to energy, making an effective referral to an available financial counsellor a critical part of resolving their energy affordability issue as well as other contributing factors.

As part of our outreach program, EWON regularly visits many areas of NSW for 'Bring Your Bills' days and other events. In the more than five years we have held these events, we have found it much more effective to team up with other organisations to enable customers to address more than just their energy needs. We extend invitations and therefore partner with diverse groups such as legal advisers, community workers, aboriginal support groups, women's organisations, men's sheds, energy market regulatory bodies, NSW government agencies, energy and water providers, and where available, financial counsellors.

As previously mentioned, most often a customer's unaffordable high energy bill will be a symptom of a deeper affordability problem and, after we have done what we can for the customer's energy complaint, we introduce them personally to a financial counsellor for specialised assistance at Bring Your Bills days (refer **Attachment 1**, case study 4 and 5) and representatives of the other agencies present. Of course, every conversation is on a confidential basis.

We instigated our Bring Your Bills days to bring EWON to consumers across NSW. A key recent example is when we hosted an event in late 2018 in Campsie, a Sydney suburb where many residents experience the challenges of being part of the lower end of the socio economic spectrum. Informed by prior engagement and media events on the day, around 250 consumers presented with their energy bill. They received assistance from us and the range of representatives mentioned above including financial counsellors.

These consumers had not, and perhaps would never have, contacted EWON by phone. However after meeting our staff at the event, ongoing engagement with a majority of these consumers continued via the EWON phone service, and phone and/or face to face engagement with the agencies (including Financial Counsellors) represented on the day. This is consistent for all events we host across the state.

Most recently, on 14 March 2019, EWON jointly hosted the Yarn About Your Bills day¹, an ATSI targeted event, with the Cooperative Legal Service Delivery Program, the Albury-Wodonga Aboriginal Health Service and the Hume Riverina Community Legal Service.

Earlier in 2018, we hosted a Bring Your Bills Day at Gulargambone², one of 10 Aboriginal communities that are among the most disadvantaged in NSW, in partnership with Mid Lachlan Aboriginal Housing, Origin Energy and a range of Aboriginal community support agencies. We invited Financial Counsellors to each of our events. Unfortunately, many of the districts we visited have a shortage of counsellors, or they are under-resourced and unable to attend.

Other Ombudsman services extend the same types of programs across Australia.

Accordingly, we recommend that an accessible approach which increases financial counsellor capacity is taken when expanding financial counselling services across Australia.

Efficient and appropriate delivery of financial counselling

Face to face financial counselling at community agencies across Australia seems to be the most effective means of delivery of financial counselling services. The Salvation Army's experience of expanding to phone based counselling four years ago demonstrates that that model is also effective, although it experienced significant challenges especially during establishment.

Face to face engagement at established community agencies is, however not the only appropriate mechanism. Our experience indicates it must be supported by outreach and engagement in communities where a financial counselling agency is not established, particularly across regional, rural and remote communities.

¹ https://www.ewon.com.au/content/Document/Events/2019/Yarn%20About%20Your%20Bills_FINAL.pdf

² [ewon.com.au: Home > Media and Events > Video > Bring Your Bills Day - Gulargambone](http://www.ewon.com.au: Home > Media and Events > Video > Bring Your Bills Day - Gulargambone)

Funding

Funding for financial counselling services, from our long-standing experience, is sporadic and haphazard. Many community groups that offer services are forced to go 'cap in hand' to governments or industry for funding. Accordingly, they are often competing with each other for the same dollar.

In its Issues Paper for this review, the Federal Government explicitly discussed moving away from grant-based funding to a different approach. Serious consideration should be given to financial counselling services being funded by the industries they service because they:

- create the demand for financial counselling services
- benefit directly from financial counselling services through
 - establishment of payment plans for customers,
 - waiver of debt by some of the providers which the financial counsellor contacts (resulting in customers' ability to pay debts to other providers)
- must comply with regulated programs (energy companies must have hardship / affordability programs) many of which require referral and advice from financial counsellors (refer **Attachment 1**, case study 4).

The industry sectors which benefit from the existence of financial counsellors include energy companies, water companies, banks, telephone/ISP service providers, debt collection agencies and other financial service providers including pay day lenders and credit repair agents.

A new model for funding an overseeing body and in turn, agencies which employ financial counsellors, could initially involve seed funding from government. This could then transition to being funded on a user-pays basis including an annual fixed levy imposed on businesses within the industry sectors mentioned above whose customers require financial counselling services, as well as an annual variable levy based on either overall customer numbers, market share or individual demand for financial counselling by those businesses.

Ideally, a strict 'user-pays' levy would be adopted, but in EWON's experience³ this may be problematic as isolating a customer's need for financial counselling to a particular sector's bill or bills, or indeed an individual business within that sector, could be challenging given the diverse needs experienced by customers facing affordability challenges as previously stated in this submission. One of our Outreach Officer reports that the 'record' she has seen was where a customer presented with 47 different bills, from a range of service providers all contributing to that customer's financial distress! For this reason, a levy based on the number of customers or market share may be a more equitable approach. It could however negatively impact a large market player which has very fair and effective processes, systems and behaviours for assisting its customers who experience, or are at risk of experiencing, financial vulnerability.

Whatever the model, being industry-funded provides a financial incentive for businesses which create a demand for financial counselling services to change their practices and behaviours in order to reduce that demand.

³ EWON, like other industry-based Ombudsman offices, is industry funded – energy and water providers are required to be members of EWON and as such, fund the annual cost of the office via fixed and variable / user-pay based levies.

Coordination, collaboration and data collection, analysis and reporting

There needs to be more sophisticated collaboration between all stakeholders who intersect with or use financial counselling services. Co-ordination between stakeholders enables better long-term planning and service delivery. One such model could require the need for a central body which has both responsibility and funding for information provision, knowledge sharing, data collection, and systemic issue identification.

Currently, financial counsellors and their peak bodies do not have the capacity / funding to enable them to undertake sophisticated data collection, collation, analysis, systemic issue identification or reporting. Therefore, trends for the need for financial counsellors following specific events such as a natural disaster or closure of a major employer are difficult to track. Similarly, demand for financial counselling services can't be forecast. This makes financial counselling a reactive service, rather than an effective proactive service. Further it most probably means that true demand for financial counselling services is greater than currently available. This is evidenced by customers who contact EWON very often having to wait for four to six weeks to meet with a financial counsellor – a period during which debt further grows and its impacts increase (refer **Attachment 1**, case study 3).

The establishment of a body which is responsible for, and funded to collate and report data relating to demand, outcomes, and systemic issues will be positioned to:

- inform policy development;
- inform service delivery;
- inform demand trends;
- determine the true demand for financial counselling services therefore improving the coordination and consistency of delivery of appropriately funded services across Australia; and
- most importantly, identify businesses whose actions / behaviours create high demand for financial counselling services.

Education – for Financial Counsellors and Ombudsman offices

In May 2019, the Financial Counsellors Association (FCA) will again host its annual conference. This conference is renowned for its effectiveness in bringing together, educating and learning from, financial counsellors and financial capability workers from across Australia. Preceding the conference, and organised by the FCA and Ombudsman offices, are two critical and inspiring forums:

1. ATSI Yarning Circle – this brings together Aboriginal financial counsellors and Financial Capability Workers and Ombudsmen from the finance, energy and water and telecommunications services. During this event we learn from each other about current and emerging challenges and changes in the sectors the Ombudsmen oversee.
2. EDR (External Dispute Resolution) Forum – a forum for all conference attendees to meet with Ombudsmen and share the challenges that financial counsellors and Financial Capability Workers experience working with Ombudsman offices and the sectors they oversee.

The establishment of a body which is responsible for the coordination and consistency of financial counselling services across all Australian jurisdictions could exponentially expand the benefits which the FCA, through its day to day operations, its Annual Conference, the ATSI Yarning Circle and the EDR Forum will continue to deliver in the future.

For further information, please contact me or Rory Campbell, Manager Policy and Research, on (02) 8218 5266.

Yours sincerely

A handwritten signature in blue ink that reads "Janine Young". The signature is written in a cursive, flowing style.

Janine Young
Ombudsman
Energy & Water Ombudsman NSW

Case studies

1. Retailer requires customer seek Financial Counselling

A customer received a disconnection notice from her retailer for non-payment of her electricity account. The customer had previously established a \$50 per fortnight payment arrangement.

An EWON investigation established that her arrears were \$1785.81 and her usage was about \$115 per fortnight. The direct debit payment arrangement had been cancelled by her retailer after a number of failed payments. The customer wanted the \$50 per fortnight payment arrangement be re-instated but her retailer declined this saying the minimum acceptable payment was now \$115 per fortnight to cover ongoing consumption.

The retailer said that, if the customer could not afford the minimum payment, she would need to attend a financial counselling appointment and arrange for the counsellor to contact it during the appointment to discuss what she would be able pay.

EWON provided the customer with referrals to local community agencies for Energy Accounts Payment Assistance (EAPA) and referrals to Financial Counsellors who would assist in the management of her finances and assess what payment arrangement she could afford.

2. Retailer requires customer seek financial counselling

A customer came to EWON after her electricity supply was disconnected for non-payment of account.

The customer had been on a payment plan but had suffered a personal injury preventing her from further payments.

An EWON investigation established that the customer owed about \$2800. Her retailer agreed to reconnect on the basis that she had not been disconnected previously and that she seek financial counselling assistance which would assess what she would be able to pay under a payment arrangement.

Based on EWON's involvement and the referral to a financial counsellor, an upfront payment for reconnection was not required by the energy provider.

3. Retailer requires customer seek financial counselling

A customer was disconnected for non-payment of his electricity account. As he was not able to make an upfront payment, his retailer advised that he must establish an appointment with a financial counsellor before it would consider reconnection.

An EWON investigation established that there were no financial counselling appointments in his local area for several weeks. His retailer agreed to reconnect and place a hold on his account, providing him time to contact a counsellor and make an appointment.

4. EWON referred customer to financial counselling at BYB day

A customer attended an EWON 'Bring Your Bills' outreach event. She had received a disconnection warning notice and had arrears of over \$8000.

EWON negotiated a payment arrangement of \$50 per fortnight with her retailer and ensured her concession details were added to her account so she could receive the Low Income Household Rebate. She was also referred to her retailer's customer assistance programme.

EWON also provided the customer with details of community agencies for EAPA assistance and referrals to local financial counsellors who would be able to assist in the management of her finances and assess what she would be able to pay as part of an ongoing payment arrangement.

5. EWON referred customer to financial counselling at BYB day

A customer attended an EWON 'Bring Your bills' outreach event. She thought her bills were high and said she owed about \$3,700 which she could not pay.

An EWON investigation found that she had been billed appropriately and that she owed about \$4,200. EWON recommended she contact her retailer to discuss the establishment of a payment arrangement and that she request access to its customer assistance programme.

EWON also referred the customer to financial counsellors in her local area who would be able to assist her, through advice, to manage her finances and assess and establish an affordable ongoing payment arrangement.