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Inquiry into the Social Security Legislation Amendment (Stronger Penalties for Serious Failures) Bill 2014

Submission by the Financial Rights Legal Centre

18 July 2014

The Financial Rights Legal Centre (*formerly known as the Consumer Credit Legal Centre (NSW)*) is a community legal centre that specialises in helping consumer's understand and enforce their financial rights, especially low income and otherwise marginalised or vulnerable consumers. We provide free and independent financial counselling, legal advice and representation to individuals about a broad range of financial issues. Financial Rights operates the Credit & Debt Hotline, which is the first port of call for NSW consumers experiencing financial difficulties. We also operate the Insurance Law Service which provides advice nationally to consumers about insurance claims and debts to insurance companies. Financial Rights took over 22,000 calls for advice or assistance during the 2013/2014 financial year.

Financial Rights also conducts research and collect data from our extensive contact with consumers and the legal consumer protection framework to lobby for changes to law and industry practice for the benefit of consumers. We also provide extensive web-based resources, other education resources, workshops, presentations and media comment.

Thank you for the opportunity to comment on the Inquiry into the Social Security Legislation Amendment (Stronger Penalties for Serious Failures) Bill 2014.

We strongly endorse the comments submitted by the National Welfare Rights Network.

The Credit and Debt Hotline operated by the Financial Rights Legal Centre spoke to nearly 17,000 consumers in the last year. The overwhelming majority of these callers were in financial difficulty (temporary or long term). We often speak to callers who are struggling to pay their essential living expenses (especially on Newstart). While some callers are fortunate in their living arrangements (for example, rent free accommodation with family or inherited property), some simply do not have sufficient income to pay for the absolute basics such rent, food, energy & water bills, telephone and transport. No amount of advice or financial counselling can fix this problem – they are entirely dependent on their own ingenuity and whatever charitable assistance is available. It is inevitable that people in such straitened circumstances will suffer severely as a result of an eight week period with no income, and homelessness is likely to result in many cases because people in this category will never have the capacity to catch up on missed rental or mortgage payments.

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Our solicitors and financial counsellors also advise thousands of people every year about how to make repayment arrangements with their credit providers during periods of financial hardship, most often unemployment. Such repayment arrangements can prevent repossession of motor vehicles and homes (which would otherwise have serious consequences for the person's ability to seek and perform paid work). Any break in income support will mean that repayment arrangements will not be met and those debtors will be at immediate risk of repossession. Non-payment can also be seen as a breach of faith which will make creditors less inclined to be flexible in the future.

It is absolutely imperative that cutting people off income support for 8 weeks only occurs as a last resort.

Concluding Remarks

Thank you again for the opportunity to comment on the Inquiry into the Social Security Legislation Amendment (Stronger Penalties for Serious Failures) Bill 2014. If you have any questions or concerns regarding this submission please do not hesitate to contact the Financial Rights Legal Centre on (02) 9212 4216.

Kind Regards,

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