QCOSS
Queensland Council of Social Service

Senate Inquiry

Credit and financial services targeted at Australians at risk of financial hardship

QCOSS submission

November 2018

QCOSS Queensland Council of Social Service

About QCOSS

The Queensland Council of Social Service (QCOSS) is the state-wide peak body representing the interests of individuals experiencing or at risk of experiencing poverty and disadvantage, and organisations working in the social and community service sector.

For more than 50 years, QCOSS has been a leading force for social change to build social and economic wellbeing for all. With members across the state, QCOSS supports a strong community service sector.

QCOSS, together with our members continues to play a crucial lobbying and advocacy role in a broad number of areas including:

place-based activities
citizen-let policy development
cost-of-living advocacy
sector capacity and capability building.

QCOSS is part of the national network of Councils of Social Service lending support and gaining essential insight to national and other state issues.

QCOSS is supported by the vice-regal patronage of His Excellency the Honourable Paul de Jersey AC**,** Governor of Queensland**.**

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QCOSS position

QCOSS is pleased to make a submission to the Senate Standing Committee on Economics inquiry into credit and financial services targeted at Australians at risk of financial hardship.

People who are experiencing disadvantage are more likely to be financially excluded and often more vulnerable to predatory lending or insurance practices. This leads to reduced economic and social wellbeing and increases pressure on community services.[1]

QCOSS has been engaged in cost of living issues for some time. This submission has been informed by our work with the social service sector and the storied we hear directly from people with lived experience. Based on this, the key findings we would like to bring to the attention of the Senate Inquiry are:

- **Financial inclusion is essential** to contemporary Australian society. People experiencing social vulnerability need access to safe and affordable products that meet their needs.
- The **impacts of financial exclusion are devastating** for individuals, families and communities.
- The **cost of financial exclusion is far reaching** – people may have less disposable income to spend in local businesses, difficulty managing payments for essential services, they may be forced to prioritise “bad” debt (eg. payday lenders, consumer leases) over “good” debt (eg. mortgage repayments, personal loans, credit card), and people may experience health issues because of ongoing financial stress.
- People experiencing vulnerability are a potentially valuable market segment that is largely **ignored by the mainstream banking and financial services sector**.
- There is a large gap in the market between products and services such as those offered by Good Shepherd Microfinance and the mainstream banking and finance sector and this gap leaves people **vulnerable to unfair practices**.

To support financial inclusion, particularly for vulnerable Queenslanders, QCOSS recommends:

> **Recommendation 1:** Governments and the financial services sector must increase investment in:
>
> - Place based programs like Switched on Communities that build financial literacy in communities that are most at risk of credit and financial services targeted at Australians at risk of financial hardship.
> - Financial counsellors and financial resilience workers to help people experiencing social vulnerability to make good financial decisions and prevent (or respond to) the adverse consequences on individuals, families, communities, industry and the broader economy that flow from “bad” debt, better manage their finances on an ongoing basis and build financial resilience.
> - Legal support for people experiencing financial hardship to help people to understand and enforce their rights.
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> **Recommendation 2:** The Australian Government, as a matter of priority, pass the National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2018.

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[1] As part of our work on our Financial Inclusion project, QCOSS has identified issues about credit and financial services targeted at vulnerable people. These issues have been identified through structured interviews with people that work in the financial inclusion sector, participation in groups such as the Logan Financial Literacy Action Group (FLAG) and the Queensland Financial Inclusion Network (QFIN), and our own policy research and advocacy on issues relevant to financial inclusion including energy literacy, hardship approaches, income support, housing and cost of living.

Recommendation 3: The mainstream banking sector must ensure that vulnerable people have access to safe and affordable financial products and services to close the gap between safe and affordable products such as those provided by Good Shepperd Microfinance and the mainstream banking and financial services sector.

Recommendation 4: The Australian Government must address the broader structural inequities in our economy including by implementing the fundamental right to affordable housing and to raise the Newstart allowance by $75 per week.

Context

This part of our submission expands on each of our recommendations and is set out in three sections:

- Building financial resilience and supporting people experiencing financial hardship
- Creating a more inclusive mainstream banking and financial services sector
- Addressing the broader structural inequities in Australia's economy

Our submission focuses on people who may be at risk of, or are experiencing, social vulnerability and financial exclusion. According to the World Bank[2], financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way. This requires that individuals have financial literacy to be able to understand how financial service systems work as well as managing and making decisions regarding their financial wellbeing. Financial inclusion is influenced by factors such as social vulnerability, poverty and inequality, digital inclusion, education, community and family networks, gender, race, socioeconomic status, age and remoteness.

QCOSS recognise that social vulnerability is a social construct from the impacts of policy, law, service systems, or the economy. Social vulnerability is not a given, but is caused by systemic issues such as exclusion, dispossession or an imbalance of power. [3,4] Despite this, policy responses to social vulnerability have primarily focused on continuing business as usual with superficial fixes that do not challenge the actual causes of social vulnerability. Social vulnerability is a society-wide structural issue that cuts across all sectors, including financial services.

Social Vulnerability is best understood along a continuum and we must recognise that everyone could experience social vulnerability in some way at any point in time. Our main concern in developing this submission is that while people experiencing social vulnerability have high needs in relation to safe and affordable banking, finance and insurance, these needs are largely going unmet. This is demonstrated by the high levels of financial exclusion among people that are vulnerable such as people escaping domestic and family violence or people experiencing homelessness.

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[2] https://www.worldbank.org/en/topic/financialinclusion
[3] Climate and Social Vulnerability: Analytics of Cause and Responsibility, (at 19:08) https://www.youtube.com/watch?v=nZVMU86zDn8&t=2316s,
[4] Jesse Ribot (2014) Cause and response: vulnerability and climate in the Anthropocene, The Journal of Peasant Studies, 41:5, 667-705.

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Building financial resilience and supporting people experiencing financial hardship

People experiencing social vulnerability tend have lower financial literacy skills and lower digital skills. For example, the 2011 ANZ Survey[5] identifies some groups where lower levels of financial literacy are more likely to be encountered. These are:

- young people (under 25 years)
- people with no formal post-secondary education
- people on a low income or with few assets (for example, those whose main source of income is a government benefit or allowance, those with an annual household income below $25,000, or those with less than $2,000 in savings and investments)
- people working in lower-level ‘blue collar’ occupations (particularly men under 35)
- women (particularly those under 35 and over 70).

The evidence on digital inclusion is equally concerning. Swinburne University of Technology, Digital inclusion index (Index 100 is the highest) for Queensland reveals relatively low levels amongst:

- low income households (41.2)
- older Australians (45)
- people who did not complete secondary school (47.6)
- people with a disability (50.1)
- people not in labour force (50.5)

The increasing complexity and digitalization of financial services and products may increase financial exclusion. This can leave people reliant on unregulated financial advice and/or fringe financial services such as payday lenders and consumers leases because they specifically target people that are excluded from mainstream banking and financial services.

The structured interviews undertaken as part of our Financial Inclusion Project have clearly demonstrated the need for more legal services, financial counsellors, and financial resilience workers across Queensland. One person that participated in our structured interviews noted that there are examples from overseas – such as Money Advice and Budgeting Services (MABS) and Citizens Advice Bureaux – where there is network of well-resourced and accessible centres to help people achieve financial inclusion. These services need to be wrap around so that clients can access broader supports such as housing assistance or domestic and family violence support. In 2017 QCOSS collaborated with the Queensland Families and Communities Association (QFCA) to consult with neighbourhood and community centres across Queensland. This work clearly demonstrated the critical role that neighbourhood and community centres play in their communities as place-based infrastructure. They would be well placed to support this type of wrap around services, with an associated increase in funding.

Building financial capacity, capability and resilience is foundational to achieving financial inclusion for low income and vulnerable people. There is a need for financial literacy initiatives which can help people to compare, evaluate, and access appropriate banking products and services, as well as for financial institutions to better understand the diverse needs and barriers faced by people experiencing social vulnerability.

[5] National Financial Literacy Strategy (2014–17), P14. For full report please click here.

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QCOSS acknowledges the Australian Securities and Investment Commission's (ASIC) MoneySmart website as a good site for information and education on financial literacy. It is known that many community workers access the educational resources on this site and QCOSS promotes this site on its own Community Door webpages. However, it does require people to be proactive and seek out and then apply the information themselves.

The Financial Counselling Association of Queensland (FCAQ) in a recent interview (April 2018) with QCOSS stated that:

> *There is a lack of financial awareness, education and rights amongst people. People are excluded from mainstream banking and then go to risky payday lenders. Remote regions where there is no support are especially vulnerable to pay day lenders and consumer lease companies who often travel to these communities with their mobile services and sign people up. People in these communities lack support and social cohesion which are compounded by isolation and poverty. There is a lack of communications – no internet coverage – cost and lack of 3G provision.*

Without some level of basic financial literacy and knowledge about their rights as consumers, people experiencing social vulnerability may end up paying far more than the market price for items, purchasing inferior products, or find themselves locked into unfair contracts such as with payday lenders, consumer leases, or insurance. Financial education and awareness can help people make more informed financial decisions as consumers. For example, it puts people in a stronger position to renegotiate expensive phone contracts, access hardship programs, access good financial products such as No Interest Loans Scheme (NILS) and avoid unnecessary bank fees. It will also help people to build their understanding about the types of scams and fraud that occur in the marketplace, how to protect oneself, and where to go for help if a problem occurs.

We recognise that low income and vulnerable customers are often difficult to reach and engage with through mainstream banking and financial channels, and this may be a factor in why they are accessing alternative credit and financial services that put them at financial risk.

Based on our experience during the *Switched On Communities* Program in 2016[6], we have found that one of the most effective mechanisms to reach low-income and vulnerable customers is via the community organisations they come into contact with on a day-to-day basis. These organisations have a strong reputation and trust within their local communities, and their staff have specific expertise in engaging and assisting people on a range of issues, including the cost of living and on financial literacy and good products and services.

An important aspect of the *Switched On Communities* project was the ability for funded organisations to develop tailored approaches that met the needs of their clients utilising their existing relationships with clients and other community organisations. They know best how to reach their own clients and communities. This model of community engagement aimed at improving energy literacy and efficiency and building the capacity of local organisations has been recommended by the Australian Competition and Consumer Commission (ACCC) in its recent report to the Electricity Supply and Prices Inquiry[7].

A good example of this in the financial inclusion area, which QCOSS would like to highlight, is the work of the Indigenous Consumer Action Network (ICAN) based in Cairns. They have found that:

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[6] "*Switched on Communities*" program where in 2016, AGL provided $500,000 to the then Queensland Department of Energy and Water Supply to support the education and engagement of vulnerable consumers following electricity price deregulation in South East Queensland from 1 July 2016.
[7] ACCC (2018), *Electricity Supply and Prices Inquiry*. More information and the final report can be found here.

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- a capability model (Yarning Money Program[8]) has worked well for their clients in promoting financial literacy. They build rapport by culture, building cultural competence and understanding; and
- there is also a need to educate the banking industry and ICAN is doing this with its Remote Community Banking videos[9] on Aboriginal and Torres Strait Islander banking issues including community development principles for financial inclusion and economic development projects.

QCOSS also acknowledges the important role which financial counsellors and resilience workers can play in building foundation skills in financial literacy by providing education, empowerment and debt management support. They also educate their clients about their rights and how to access hardship assistance with credit providers and utility companies.

Financial resilience workers focus on financial literacy, education and empowerment in relation to finance, savings and government concessions. They provide appropriate referrals to financial counsellors and to other relevant community organisations and are affiliate members of FCAQ. In Queensland there are thirteen (13) organisations that receive funding under the Queensland Government's Better Budgeting Program in 2017 for financial resilience workers. The FCAQ reports that financial resilience workers are effective in the provision of foundational education and awareness in their areas. However, in Queensland these services are mainly in the regional areas and none are funded in key areas of socio-economic need such as Logan, Ipswich and Caboolture.

Despite some additional funding from the Queensland Government under the Better Budgeting Program, there continues to be a shortage of financial counselling services in Queensland. This is evident by the long wait times. Multilink in Logan observed about a 3 to 4 week waiting period for financial counselling services. They found that this did not assist people with more urgent financial issues, and that these clients would often not go to appointments if they had to wait too long.

Some other suggestions coming out of our structured interviews about how to improve financial counselling and other support services included:

- the need to better triage social service support systems such as referring people experiencing domestic and family violence to financial counsellors or legal services;
- better resourcing of community workers across financial inclusion; and
- the need for home visits by financial counsellors.

The Law Council of Australia's (LCA) financial report on the Justice Project dedicated a chapter to people experiencing economic disadvantage.[10] The LCA found that:

- Legal assistance services are critically underfunded across the board. Amongst economically disadvantaged groups, this funding gap is often felt acutely by women without financial means, who often need assistance with family law, family violence, and related civil law matters.
- Certain laws, policies and practice drive up the legal needs of people experiencing economic disadvantage or otherwise compound their disadvantage. For example, some cannot pay their fines, and then suffer additional consequences for their

[8] The Yarnin' Money program, funded by Financial Literacy Australia and the Department of Social Services, seeks to assist remote Aboriginal and Torres Strait Islander communities to develop financial literacy skills through a culture-centered training model, which recognises existing cultural worldviews and knowledge as the foundation to build new skills. More information can be found here.
[9] Indigenous Consumer Alliance Network (ICAN). More information can be founded here.
[10] Justice system issues for people who experience financial exclusion https://www.lawcouncil.asn.au/justice-project/final-report

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misdemeanours, including imprisonment in some jurisdictions. People experiencing economic disadvantage may also be subject to penalties for behaviour that is linked to their experience of poverty or homelessness, such as public transport infringements or public nuisance offences.

- Sudden changes in laws, policies and systems can also create spikes in legal need. Centrelink's online debt compliance scheme ('Robodebt'), for example, placed extraordinary pressure on Community Legal Centres ('CLCs'). In addition, the administration of social security generally can create legal need given its complexity, and increasing compliance requirements of recipients, particularly when they find its administrative system to be inaccessible and confusing.

The Productivity Commission[11] also recognises that people who experience disadvantage were less likely to be able to raise sufficient finances to cover housing or utility costs or meet larger debts at short notice. They may face issues related to public or private rented housing or experience a problem with government agencies responsible for their income support.

The Productivity Commission found that Australians experiencing disadvantage were more susceptible to, and less equipped to deal with, legal disputes.[12] It emphasised governments' important role in assisting these individuals, given the net benefits to the community of providing publicly funded legal assistance services. It determined that more resources were required to better meet the legal needs of disadvantaged Australians, and recommended that to meet the more pressing gaps, an additional $200 million per annum was needed for civil legal assistance services to:

- better align the means test for legal aid grants, which enable individuals to receive ongoing legal representation in a case, with that of other measures of disadvantage. The Productivity Commission remarked that it was 'not the case that people are "too wealthy" to be eligible for legal assistance, but rather that they are not sufficiently impoverished';
- maintain existing frontline services that had a demonstrated benefit to the community; and
- allow legal assistance providers to offer a greater number of services in areas of law that had not previously attracted government funding, particularly in relation to civil disputes.

QCOSS acknowledges that the federal government has announced in May 2018 that it will establish a new financial literacy body tasked with distributing community benefit payments from banks to organisations that boost financial literacy and capability. The minister at the time said that:

> *"This new body will be a game-changer, a lasting institution that will support consumers and build financial capability for all Australians no matter what their circumstances."*

QCOSS welcomes this development as it will bring greater funding certainty which could support and enhance the community and community organizations to improve financial literacy and education and ultimately lead to greater financial inclusion. However, we are concerned that the investment will not go far enough, especially when it comes to helping people deal with the consequences of "bad" debt.

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[11] Productivity Commission, Access to Justice Arrangements, Inquiry Report No 72 (2014) 970-71
[12] Productivity Commission, Access to Justice Arrangements, 14.

Recommendation 1: Governments and the financial services sector must increase investment in:

Place based programs like Switched on Communities that build financial literacy in communities that are most at risk of credit and financial services targeted at Australians at risk of financial hardship.

Financial counsellors and financial resilience workers to help people experiencing social vulnerability to make good financial decisions and prevent (or respond to) the adverse consequences for individuals, families, communities, industry and the broader economy that flow from "bad" debt, better manage their finances on an ongoing basis and build financial resilience.

Legal support for people experiencing financial hardship to help people to understand and enforce their rights.

Creating a more inclusive mainstream banking and financial services sector

There are 2.7 million Australians who are fully or severely financially excluded. This means they struggle to access mainstream banking products and services.

> *Financial exclusion refers to a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.* [13]

Financial literacy is always beneficial. However, financial literacy alone is not sufficient to address the causes of financial exclusion. Until the causes of financial exclusion are addressed, people experiencing social vulnerability will continue to be exposed to unfair credit and other financial products targeting people in financial hardship. These causes can be grouped into three areas:

- The market failure in mainstream banking to meet the needs of low income and vulnerable people
- The predatory practices of unfair credit and financial services
- The systems and structural inequities in the wider economy.

QCOSS considers that the following financial services should be considered essential and all in society should have access to them in order to participate in economic and social activities

[13] National Australia Bank (NAB), *Why is financial stress on the rise?,* (September 2017) at page 4. NAB looks beyond traditional measures of financial inclusion (i.e. financial products and services). It goes deeper to also understand people's incomes, savings, ability to manage debts, living costs, ability to find funding in an emergency, their access to support from family, friends, community organisations and government, and their financial capability. https://www.nab.com.au/content/dam/nabrwd/documents/reports/financial/financial-resilience-report.pdf

and provide for safe financial outcomes. These are consistent with the World Bank (1995)[14] four key areas:

- Transaction banking
- Savings
- Credit
- Insurance

People need access to transactional banking including access to online banking and debit and/or credit cards. Lack of access to transactional banking is referred to as the unbanked or underbanked. In addition to people who are unbanked or underbanked, low income people are excluded from mainstream banking due to:

- Consumers being perceived as too risky to access basic credit products, such as lines of credit, overdraft protection, and/or credit cards.
- Products and services that are tailored to wealthy customers, such as products with conditions and rules that require minimum balances or disproportionate penalties for overdrawn accounts or fees for low value/frequent transactions.
- Higher fees and charges on credit products where available.
- Digital exclusion. Mainstream banking has gone mainly online and has reduced the number of bank branches.

Financial exclusion is especially problematic for people living in rural or remote areas where there are few or no local banks they can turn to. This is a growing trend across Australia. For example, BankWest recently announced that they are closing 29 branches along the east coast of Australia.[15]

It is QCOSS' view that the market failure by mainstream banking has created an opportunity for payday lenders and other fringe high interest companies to aggressively fill the vacuum left by the banks. A financial counselling associate in Cairns said that vulnerable people are shut out and then are vulnerable to predatory practices that target people in these communities.

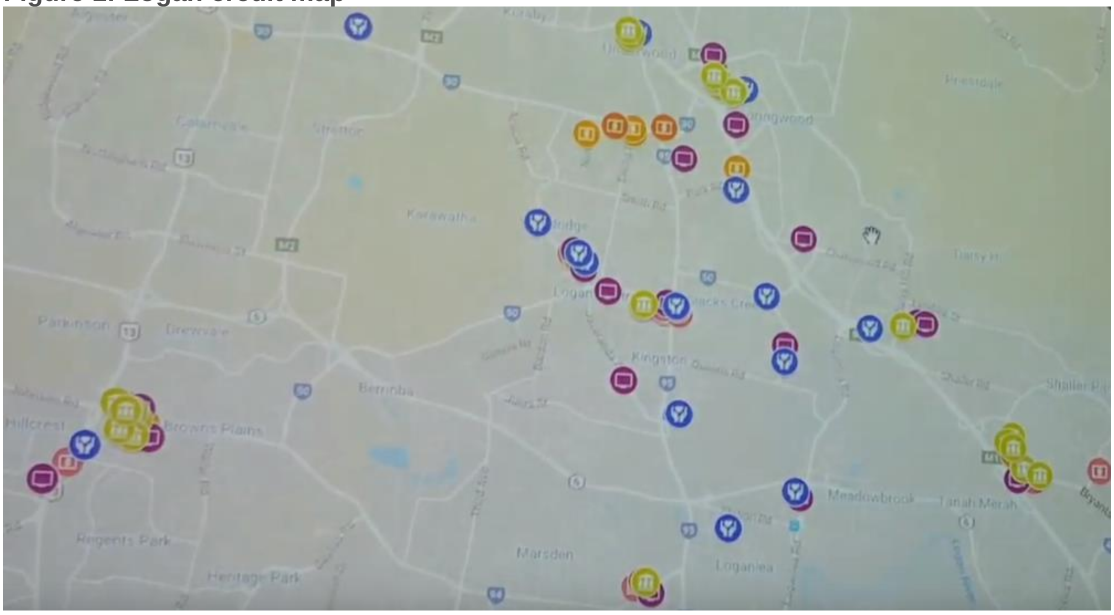
These companies deliberately target low income areas and this is illustrated by the credit map developed by the Financial Literacy Action Group (FLAG) in Logan.

When FLAG wanted to discover the drivers behind the use of high-cost credit in Logan and what services can do to redirect people to lower cost options, their first step was to do a drive by and look at the physical landscape of Logan. High-cost credit businesses like payday lenders were easy to spot with big, bright signs promising easy credit and slogans like "*Bad credit? Don't sweat it*" enticing people with fast and easy access to cash.

By mapping the credit providers on an interactive map of the area they found an interesting disparity. High cost credit businesses such as payday lenders, consumer leases and car yards were clustered in lower socio-economic areas, while more affluent suburbs had plenty of banks but no payday lenders. Below is a screen shot of the Credit Map.

[14] https://www.worldbank.org/en/topic/financialinclusion
[15] Brisbane Times (8th July 2018). For full article please click here.

Figure 1: Logan credit map



Overall the map shows that Logan has:

- 27 community agencies delivering Emergency Relief, three of which also deliver No Interest Loans Scheme (NILS)
- 43 bank and credit union branches
- 43 high cost credit shopfronts. This includes payday lenders, pawnbrokers, consumer lease agencies and car yards that use either the consumer lease model or in-house high cost credit
- 41 gambling outlets.

The Logan credit map makes it clear that high cost credit providers are purposively targeting people who think they have no other options or those who are locked out of the traditional credit market due to low incomes. These high cost options are putting a strain on budgets and often become a cyclical event with a new loan taken out as soon as one is paid back, or a second loan being used to pay the balance of the first.

Most people who use these services are aware they are paying more than the market price for the goods, or higher interest rates, but don't see any other way out of their situation. FLAG members have reported stories of people putting these repayments before vital budget items like their rent or electricity because of their aggressive debt collection practices.

A number of the community organisations interviewed by QCOSS as part of its Financial Inclusion Project indicated that the market for predatory credit and finance services is increasing due to a greater online and social media reach. These companies also advertise on commercial TV and radio outlets. This allows them to “normalise” their product and service offering and reach a large audience. NAB confirms this growing trend as it (2017) found a higher proportion of people reported having access to credit through predatory providers in 2016 (5.4%) compared to 2015 (1.7%).

Community organisations are concerned that lenders are allowed to provide a person with multiple loans at the same time. They observed that these lenders are contacting people when they are close to finalising payment arrangements to offer a new product or encourage an extension of an existing credit or consumer contract.

People then become trapped in the debt cycle, having to constantly find money to pay off accumulated debts in addition to their day to day expenses. People in these situations carry an immense level of financial stress that increases anxiety, broader mental health challenges, lowers quality of life, physical health, and social interactions. The overall cost and impact to a person's life and wider society is likely to be significant over time. These all put pressure on social services including financial counselling, legal services, health and the community service sector.

The predatory nature and practice of these fringe financial service providers is well known and there has been extensive research and policy development on how to increase regulation of this sector. These reforms need to be expedited without delay in order to reduce the incidence and harm of such bad credit. QCOSS encourages the Australian Government to progress the National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2018 as soon as possible. Additional reforms may also be needed to combat the advertising around pay day loans and consumer leases.

There is clearly a need for fair and affordable financial products and services targeted at people experiencing social vulnerability. The banks working with the community sector have developed a number of good products and services which go some way in meeting the needs of people experiencing social vulnerability.

For example, Good Shepherd Microfinance (GSM) offers a range of fair and equitable products and services across a number of areas. These include the No Interest Loans Scheme (NILS), Step Up, Speckle and the two Good Money Stores they operate in Cairns and Southport. They also partner with The Good Guys in an ethical buying service – Good To Go - where clients access the best prices on energy efficient whitegoods, computers and other household appliances. They source their capital from NAB interest free for the NILS and work with hundreds of community organisations throughout Australia to deliver this scheme. These organisations, often staffed by volunteers, work directly with the clients, assessing their loan application (up to $1,500) and providing financial literacy and support.

The community sector, in partnership with mainstream banking, can provide good and safe products and services such as NILS. However, GSM said that there is a need to ensure that there is sufficient "infrastructure" on the ground to deliver the financial inclusion services and products. It is important that there is partnership certainly, but there is also a need for capacity building for community organisations to be able to partner with organisations like GSM.

GSM also noted that there is limited funding in Queensland for the administration of NILS and other microfinance services and products. Funding goes to financial counselling and the new financial resilience workers. They have also set up two Good Money Stores in Cairns and Southport but this does not go far enough. For example, last year the NILS network in Queensland arranged over 6,000 NILS while the two stores did only 657.

QCOSS regards NILS as a success story. The NILS scheme is particularly effective for providing finance to some difficult to reach groups. For example, Multilink (a community organisation in Logan working with the culturally and linguistically diverse communities) is a NILS provider. They have provided $1million worth of loans over seven years to their community. Clients can get education, driving lessons, forklift lessons and not just white goods. Multilink also provides loans for visa costs including spousal visas. A key part of their NILS model is to build financial literacy and budgeting as part of the NILS conversation as many people have low financial literacy and do not understand fees and charges and bank statements.

While schemes such as NILS are effective they will not meet all the credit needs of low income people. There is still a lack of awareness of opportunities of financial products and services via NILS as there are not providers in all areas. In fact, GSM is consolidating geographically and relying more on digital loan applications. Also, there is a limited range of items that can be purchased through NILS. For example, many NILS providers do not provide

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finance for essential expenses such as car registration, medical and schooling expenses. The St Vincent de Paul Society, which is the largest NILS provider in Queensland, will administer loans only for assets such as white goods, TVs and air-conditioners.

QCOSS strongly believes that there is a role for the community sector and the banks to work in partnership to develop products and services for low income and difficult to reach groups. QCOSS also believes that some existing products are working (such as NILS) but additional funding is needed to increase their coverage and delivery in Queensland. These products and services only go some way in combating the market penetration and tactics of fringe financial service providers. In order to ensure that financial inclusion is increased, the mainstream banking sector has to provide safe and affordable products and services that meet the needs of low income and vulnerable people.

It is encouraging to see the establishment of the Queensland Chapter of the Thriving Communities Partnership (TCP). The TCP is a cross-sector collaboration ensuring that everybody has fair access to the modern essential services they need to thrive in contemporary Australia: including utilities, financial services, telecommunications and transport.

Membership of the TCP comes with a commitment to the TCP Charter; to contribute to and implement policies, practices and initiatives that result in tangible improvement in the lives of people at risk of experiencing vulnerability. This commitment reflects an acknowledgement that all people may experience vulnerability at some time in their lives, and a whole-of-organisation approach is required to build a more supportive ecosystem. The impact of this commitment to people centred-approaches, will strengthen social, physical and financial wellbeing and resilience, benefiting both people and businesses alike. QCOSS is excited to be part of the Queensland Chapter of the Thriving Communities Partnership and hopes that it will lead to stronger collaboration and partnerships to build more inclusive banking and financial services sector.[16]

Recommendation 2: That the Australian Government, as a matter of priority, pass the National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2018.

Recommendation 3: The mainstream banking sector must ensure that vulnerable people have access to safe and affordable financial products and services to close the gap between safe and affordable products such as those provided by Good Shepperd Microfinance and the mainstream banking and financial services sector.

[16] For more information about the Partnership see https://thriving.org.au/.

Addressing the broader structural inequities in Australia's economy

To achieve greater financial inclusion, there is also a need to address poverty and social vulnerability by addressing the structural inequities in the wider economy.

People experiencing social vulnerability are often required to make difficult financial decisions on a day-to-day basis, and they spend a disproportionate amount of income to meet basic needs like food, shelter and clothing. A recent report by the Australian Council of Social Service (ACOSS)[17] and UNSW Sydney released shows national poverty rates remain high despite Australia experiencing decades of uninterrupted economic growth. There are 3.05 million people (13.2% of the population) - more than one in eight – are estimated to live below the poverty line, after taking account of their housing costs. The proportion of people in poverty fluctuated within a band between 11.5% and 14.1% from 1999 to 2015 however there is likely to be a core group of people in persistent poverty. These are more likely to be found in certain groups such as those living on the Newstart allowance and single parents. This is because:

- The freezing of the Newstart Allowance (which has not increased above inflation since 1994) has increased poverty among those receiving that payment. Poverty among people in households relying mainly on Newstart Allowance rose from 61% in 1999 to 78% in 2015, while the average poverty gap (for households reliant on Newstart Allowance below the poverty line) rose from $81 per week to $136 per week over the same period.
- A major source of child poverty is the high poverty rate (32%) among sole parent families, who must generally rely on a single income.
- The transfer of 80,000 sole parents to Newstart Allowance in 2013 was associated with an increase in the rate of poverty among unemployed sole parents from 35% in 2013 to 59% two years later.

Barriers such as lower levels of formal education, lower literacy and numeracy skills, unstable or low-wage employment, disability, or mental illness can make improving one's financial circumstances even more challenging. Some groups are more vulnerable to experiencing low income, people with disabilities, sole parents, Aboriginal and Torres Strait peoples, and people from non-English speaking backgrounds.

People experiencing social vulnerability often have to cope with circumstances that increase their expenses as "it is expensive to be poor". For example, living in poor quality housing which can be more expensive to heat or cool which means that they get high power bills which they cannot do anything about as they live in rental accommodation and cannot (even if they could afford it) put in place energy efficient lighting and appliances which might help them reduce their bills.

For many people living on low incomes it is difficult to balance obligations, such as childcare, work, and paying bills relative to people in middle- and higher-income groups. This can have them living in "survival mode", as emphasis is placed on meeting the day-to-day demands of their financial lives, with less time, resources and knowledge available to meet their everyday expenses and plan and save for their financial futures.

If there is an emergency where funds are required people have limited options[18] and have to go to payday lenders and/or consumer lease companies. They know that they will be provided

[17] ACOSS (Oct 2018), Poverty in Australia 2018 Report. This report can be found here.
[18] People receiving centrelink payments can access up to $1,000 per year as a Centrelink advanced payment.

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with the funds despite in some cases being financially over committed. In reality there are no viable alternative financial options. Multilink spoke to QCOSS about many of their clients that are crowded out of the financial options because of issues such as homelessness will go to pawnbrokers to pay for essential services such as phone bills. QCOSS's report on Energy Issues in Indigenous Communities[19] included this case study:

> *A Woorabinda energy customer had moved to the community to escape a domestic violence situation in which her home contents were destroyed. She had been paying the household goods off on a rent to own consumer lease and now has to continue payments even though she no longer has the goods. She also needed to furnish her new home with the bare essentials but as she is on Newstart and was already financially overcommitted, she was unable to buy through reputable furniture and appliance stores that practise responsible lending. Without cash or transport, she could not shop around for second hand furniture. The rent to own company offered to extend the amount and term of her existing consumer lease. She agreed and they delivered cheap low-quality furniture and low energy star appliances. She now owes them more than $14,000 which doesn't include the interest and other costs associated with the agreement. Her Centrelink income is $14,424.80 per year.*

There is a clear need to address the structural inequities that lead to and keep people in persistent poverty and to make essential services affordable for all. Reducing people's social vulnerability and financial exclusion would mean that they do not need to access unethical and dodgy credit and finance. Organisations such as QCOSS and the broader COSS network actively research and undertake advocacy in this area. For example, QCOSS supports the ACOSS campaign to "Raise the Rate". This is the rate of Newstart rate by $75 per week. QCOSS also believes that people have the fundamental right to housing and has set out a number of recommended actions in its recent Position Statement on Housing[20].

Recommendation 4: The Australian Government must address the broader structural inequities in our economy including by implementing the fundamental right to affordable housing and raise the Newstart allowance by $75 per week.

[19] QCOSS (August 2018), *Energy Issues in Indigenous Communities: Woorabinda.* This report can be found at https://www.qcoss.org.au/qcoss-report-energy-issues-indigenous-communities-woorabinda.
[20] QCOSS (August 2018), QCOSS Position Statement on Housing. This can be found here.