

23 August 2023

Dr Sean Turner
Committee Chair
Parliamentary Joint Committee on Corporations and Financial Services
Via email: corporations.joint@aph.gov.au

Dear Dr Turner

Thank you for the opportunity to contribute to the work of the joint committee.

Financial Counselling Australia coordinates the National Debt Helpline services across Australia and collects data on the phonenumber, the chat service and use of the [National Debt Helpline website](#).

The table below provides details of the agencies who answer the phonenumber and the chat service in each State or Territory.

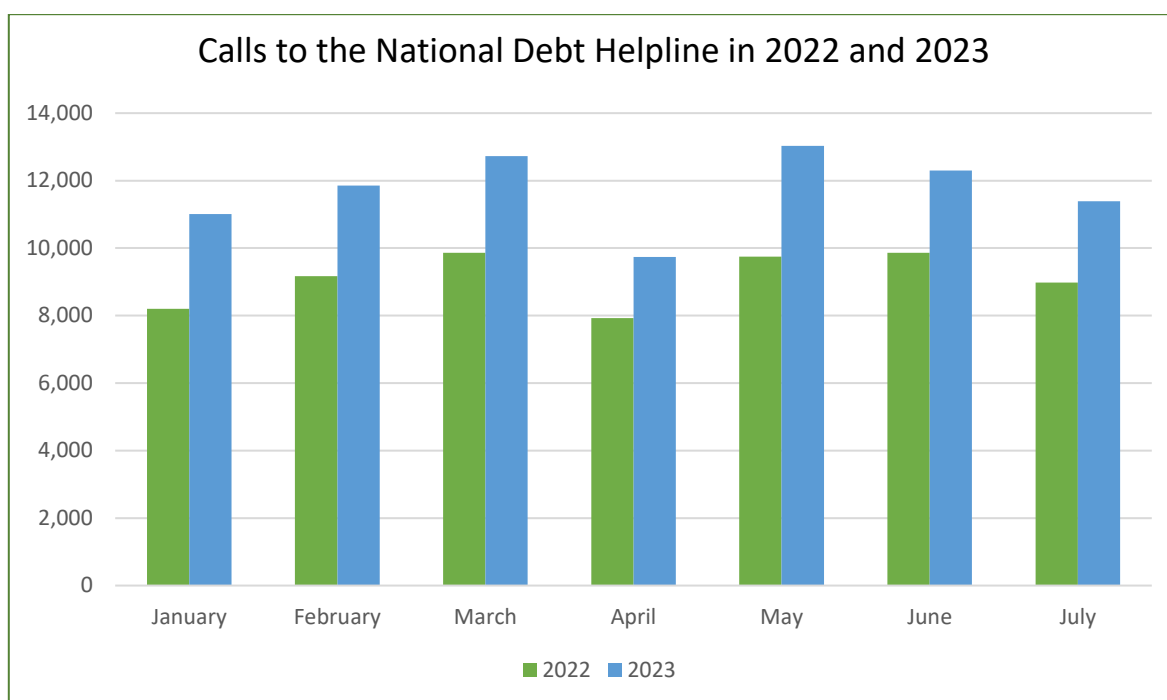
Organisation	Where they answer the Helpline	Where they answer the Chat
CARE Financial Counselling Service	ACT	ACT, NSW, Qld, Tas, Vic
Financial Rights Legal Centre	NSW	ACT, NSW, Tas
Uniting NSW ACT	NSW	
Anglicare NT	NT	
Uniting Care Qld	Qld	
Salvation Army	SA	NT, SA, WA
Anglicare Tasmania	Tas	
Consumer Action Law Centre	Vic	Qld, Vic
Better Place Australia	Vic	
St Vincent de Paul	WA	NT, SA, WA

National Debt Helpline Calls

The volume of calls to the helpline decreased during the pandemic due to government interventions and protections but they have been increasing since September 2022 and have increased significantly in 2023.

81,531 calls have been received to date in 2023, a 28% increase from the 63,485 calls received during the same period in 2022.

The table below shows the number of calls received each month in the first half of 2022 and 2023. Calls to the helpline see seasonal variations that are repeated each year, so calls are compared to the same period in the previous year.



Month	2022	2023	% change
January	8,197	11,006	34%
February	9,172	11,854	29%
March	9,861	12,730	29%
April	7,924	9,739	23%
May	9,747	13,029	34%
June	9,857	12,300	25%
July	8,981	11,391	27%

National Debt Helpline website

There have been 286,458 visits to the National Debt Helpline website so far this year, a 47% increase from the 194,555 visits in the same period last year.

The list below shows the most visited pages on the website for 2023, after the home page.

National Debt Helpline website most visited pages

1. Find a financial counsellor
2. What is financial hardship and what are your rights
3. No interest loan scheme
4. Access superannuation - early release to pay mortgage arrears or rates
5. Access superannuation – early release due to severe financial hardship
6. Centrelink debts
7. Emergency assistance
8. What is financial counselling
9. About national debt helpline – contact us
10. Rent

The most viewed pages indicate that people are looking for ways to access money or help to cover their debts or shortfall, such as accessing super early, applying for no interest loans or accessing emergency relief. This implies that people are at the limit of what they can cover and are looking for help.

Looking only at the “debt problem” pages, the following five pages received the most views in 2023.

National Debt Helpline website top problem pages visited

1. Centrelink debts
2. Rent
3. Debt collection - old debts
4. Bad credit rating - get your credit report
5. Car accident debt

These pages are the highest viewed every month. Rising rent has been a problem for some time, but the services report that mortgage stress has now overtaken it. However, on the website, many more people go to the access superannuation early page (which is in the debt solutions section) rather than the home loans page in the debt problems section.

National Debt Helpline Chat Service

The chat service is a recent addition to the National Debt Helpline, beginning as a pilot during 2021 and rolling out nationally from July 2022. The service has proven to be valuable, making the service more accessible to different cohorts of people. These include younger people who are more comfortable in a digital environment, those with vision impairment, those who do not have privacy to contact the helpline during business hours and it has also proved to be a useful avenue for those who are feeling so overwhelmed by their situation that they cannot pick up the phone. Starting an online chat seems to be an easier and less confronting action to take, giving the financial counsellors the opportunity to establish rapport and allay fears, easing people into other avenues of assistance if needed. The financial issues discussed via the chat interactions has been tracked since October 2022.

The top ten issues discussed via chat during 2023 are listed below, in order.

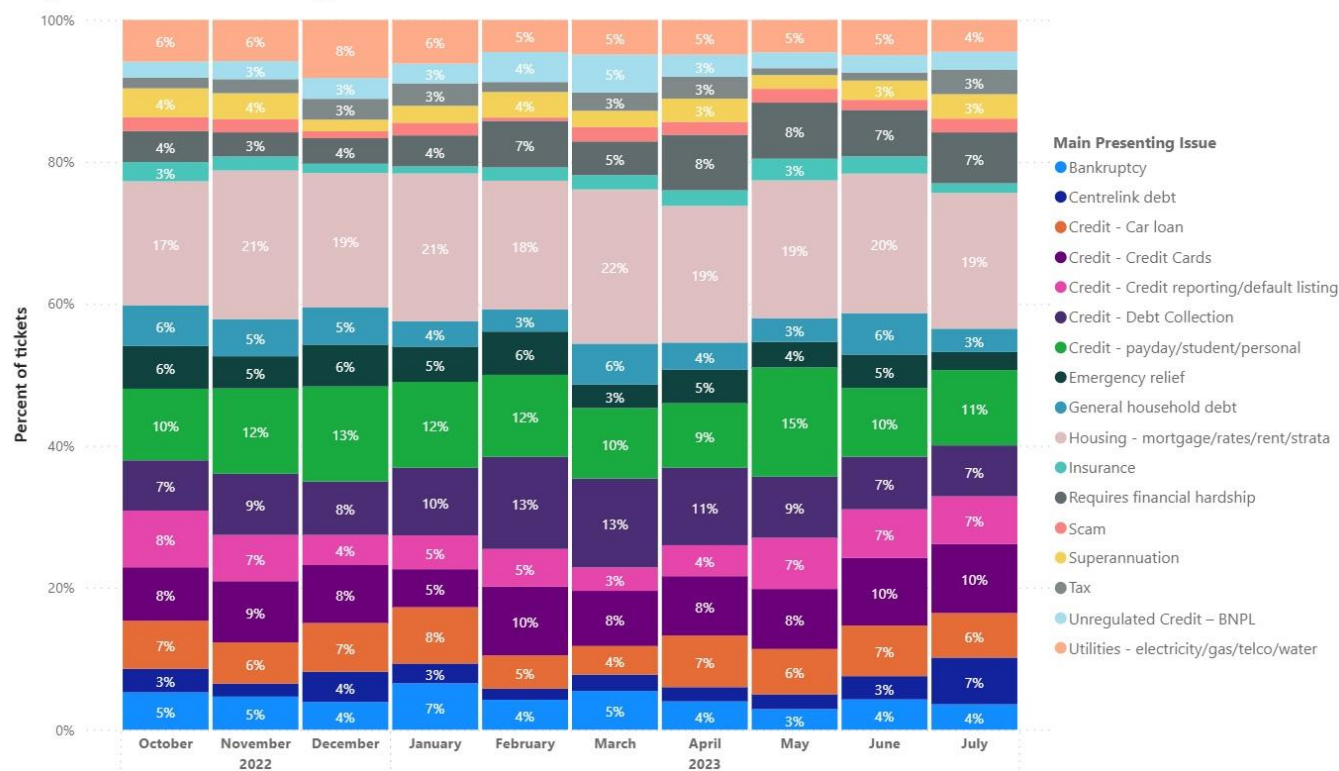
National Debt Helpline chat service top ten issues

1. Debt Collection
2. Mortgage
3. Rent
4. Credit cards
5. Requires financial hardship assistance (such as a moratorium on payments)
6. Car loan
7. Personal loan
8. Credit reporting – default listing
9. Bankruptcy
10. Emergency Relief

People typically have a number of financial issues that need to be worked through and the number and complexity of issues is on the rise. In addition to the top issues listed above, secondary issues are also recorded. The most common include Buy Now Pay Later debts (people often have multiple accounts), payday loans, electricity, gas, water and telco arrears, often in the \$1,000s and general household debt that is beyond their ability to pay.

The graphics on the next page show the prevalence of the presenting issues via chat since we started tracking the data in October 2022.

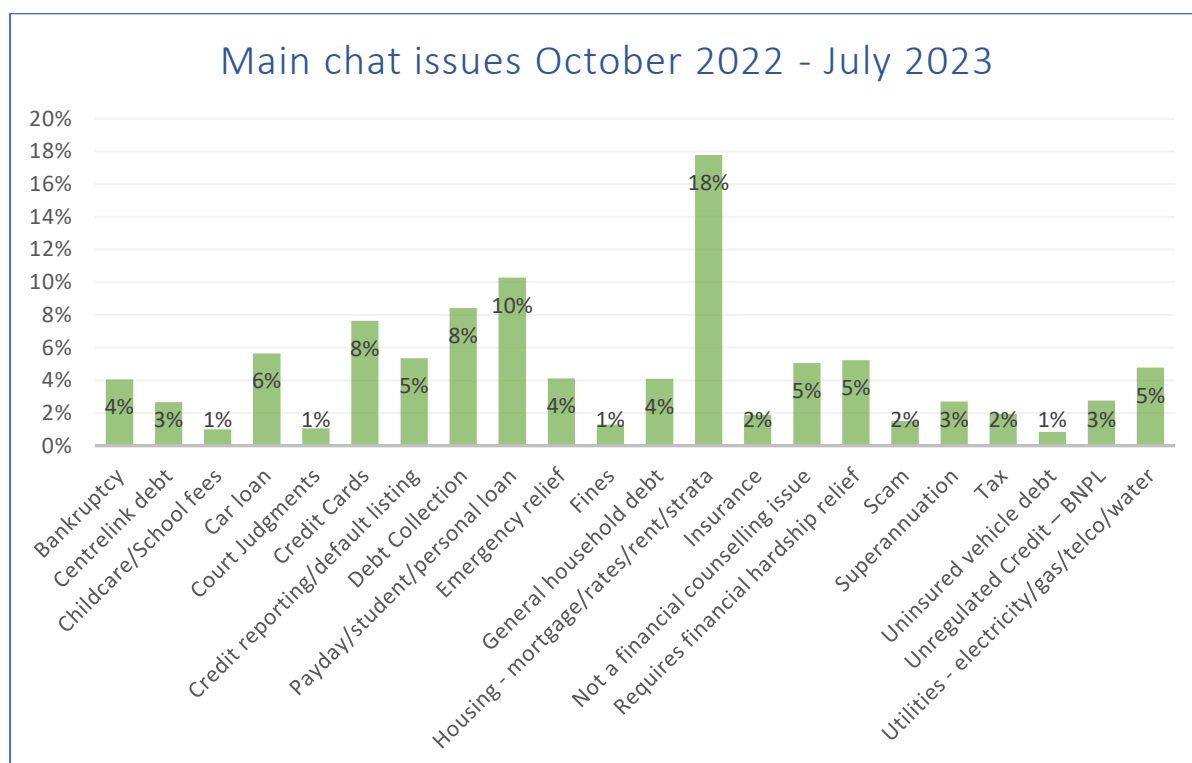
Top Main Presenting Issues



Top main presenting issue via the NDH chat service each month from Oct 2022 to Jul 2023

* To read the graph, the top issue in the list, bankruptcy, is the bar at the bottom of the graph. The second item in the list, Centrelink debt, is the bar above it etc, ending with the last item in the list, Utilities, at the top of the graph.

The graph below shows the total percentage of each main issue for the whole period of October 2022 to July 2023. It is important to note that this represents the main issue only. There are almost always a range of debt or arrears.



The Data Gap

The data we are asked for most often is what financial issues people are struggling with. Unfortunately, the mandated federal government data collection (DEX) does not include this metric and it is not mandatory to collect it. Agencies do collect this data, but they collect it in different ways via different systems. The disparity in collection means that we have not been able to collect this data in a cohesive enough way to make it meaningful. The chat service now tracks this data nationally but we must rely on individual and anecdotal reporting from the services that deliver the helpline to understand the issues coming in via the phonenumber.

The following points were recently reported to the Reserve Bank in a meeting in June 2023 with financial counsellors from the National Debt Helpline from the larger states (New South Wales, Queensland, Victoria, South Australia and Western Australia).

- Financial counsellors note that people pay their rent or mortgage above all other expenses. Therefore, housing stress or mortgage arrears data does not provide the full picture.
- In order to keep paying their mortgage, people are:
 - accruing significant arrears in utilities,
 - maxxing out credit cards
 - using up savings
 - letting their car and house insurance lapse
 - letting council rates or strata levies go unpaid (and accruing large arrears)
 - turning to fringe lenders to cover costs or unregulated credit, such as buy now pay later, to buy essentials such as food and petrol
 - turning to charities for emergency relief or food in greater numbers, or going without
- People with mortgage arrears is growing in all states and in some states is the top issue.
- Many more callers are open about the fact that their lender has referred them to financial counselling. Many have default notices and are paying 50-60% of their income toward their housing loan. Others have exhausted the lender's hardship provisions over 3-6 months but things have not improved so they are referred to financial counsellors to have a discussion about the sustainability of their mortgage.
- It is much harder to have a lender agree to financial hardship arrangements after the first six months. The arrangements are based on the fact that a situation is temporary but many are in ongoing hardship that cannot be solved easily (eg. it is not due to a temporary health condition or having lost employment, they cannot afford their living expenses even while employed).
- People have been getting by on savings and cutting costs but are running out of options.
- New clients are reaching out for help, who have never been in financial trouble before. The situation they are now in has a significant psychological impact.
- Some who are struggling to pay their mortgage would not be able to afford rent as it can be higher than their mortgage payments (especially if they have equity in the home).
- Financial issues compound, leading to further debt and mental distress. Most callers have mental health conditions of varying severity.
- Callers are people on low incomes or government payments, but there is a growing middle income cohort who are also struggling, including those with full time employment who cannot make ends meet.

The cost of living and housing crisis are having far reaching effects on many Australians. People have been doing what they can to maintain their housing but many are running out of options and some clients are now living in a car or a tent.

The consequences of maintaining their mortgage or rent is driving many into increasing debt in other areas, including Buy Now Pay Later or going into arrears with utilities, council rates or strata levies. People are also dropping insurance and other expenses they deem less essential. Debt collection activity is a concern, indicated by the high views of that page on the National Debt Helpline website and people are increasingly looking for solutions, via charities, no interest loans or by trying to access their super.

There is a growing demand on support services including increased calls and chats to the National Debt Helpline, and many face to face financial counselling agencies are not able to keep up with demand and report up to six week waiting lists, or are closing their books altogether until they have capacity.

We appreciate the opportunity to provide this feedback to the committee.

Regards

Rita Battaglin
General Manager
Financial Counselling Australia