



13th August, 2012

By email: spla.reps@aph.gov.au

Committee Secretary
House of Representatives Standing Committee on
Social Policy and Legal Affairs
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Committee Secretary

Do Not Knock Register Bill 2012

Financial Counselling Australia (FCA) is pleased to provide comments in relation to the Do Not Knock Register Bill 2012.

We have had the opportunity to read the submission prepared by our colleagues at the Consumer Action Law Centre (CALC) and endorse the comments made in it.

Together with CALC, Financial Counselling Australia has been involved in a national Do Not Knock campaign. The aim of the campaign, as set out on the campaign website (www.donotknock.org.au) is "to put a stop to unwelcome, dishonest and intimidating door-to-door salespeople".

FCA's role in the campaign to date has focused mainly on door-to-door selling practices in Aboriginal and Torres Strait Islander (ATSI) communities.

Financial counsellors assist people in financial difficulty and work in non-profit, community organisations. There are a number of financial counsellors who work primarily with ATSI clients in some of the most remote locations in Australia. We were therefore well placed to highlight and address these specific issues as part of the joint Do Not Knock campaign with CALC. This is also our focus in commenting on the Bill.

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Overall Views

- We do not believe that the current laws adequately protect ATSI consumers from unscrupulous door-to-door selling.
- The Do Not Knock sticker is definitely part of the answer and has widespread support. However, it may not fully address the problem in ATSI communities.
- The proposed Do Not Knock register, may also be part of the answer.
- Both solutions however require active and informed consumers, able to proactively take steps to exercise their rights. This will not always be the case in remote ATSI communities.
- One innovative option that has not been considered would be to allow communities to declare themselves “Do Not Knock” towns. For the purpose of this Bill, the equivalent protection, would be for a whole community to be allowed to enrol together.
- More broadly, we need to ask whether Australia’s consumer protection framework is adequately protecting ATSI consumers. There are continued examples of the exploitation of ATSI consumers. Are the laws strong enough? Do we need more and faster enforcement? How big a role can consumer education play?

What is happening in ATSI communities?

ATSI consumers in remote communities appear to be targeted by door-to-door sales people, often selling shoddy and overpriced products and using unscrupulous sales tactics. ATSI consumers are also more vulnerable to exploitation, which compounds the problems.

Products commonly sold in ATSI communities include first aid kits for cars and homes, water purifiers and photographic services. More recently, there have been some reports of the sale of maths software.

Some of the problems are:

- *Misleading conduct* – for example, people being told that the food in the fridges would be free, that the cost of the item was a one-off payment (or there was no cost)
- *Overpriced or shoddy goods* – some of the first aid kits appear to be worth around \$50. Indigenous consumers are paying \$20 * 20 payments = \$400. The Pilbara examples (see case studies below) were for even more expensive contracts – around \$1,500. There have been reports of goods being marketed as new, but when they are received by customers, they are clearly second-hand or damaged. These instances are harder to verify however.

- *Vulnerability* – many Indigenous people do not understand the contracts and the cost. Some even sign multiple contracts for the same goods. Indigenous people are also culturally more likely to agree to help people as it is considered rude to say “no” directly.¹ This also means that many people in the one community may sign contracts, presumably making it highly profitable for the traders. Individuals will then refer traders to other relations in other communities and the cycle continues.

This vulnerability is illustrated in data from the Australian Bureau of Statistics which shows that: only 11.3% of Indigenous people living in remote areas had completed high school; at least half of these people speak an Indigenous language with a significant minority having poor English language skills.²

Affordability - the majority of people in many ATSi communities are on Centrelink benefits and cannot afford the payments. The trader however requires the consumer to sign a direct debit and so has a higher likelihood of payment. Around 60% of Indigenous people in very remote areas earn less than \$250 per week, with the median weekly income being \$215.³

- There are no competitive pressures in relation to door-to-door sales in ATSi communities. This is probably exacerbated in these communities in comparison to mainstream Australia, where access to shops is easier.

Illustrative Case Studies

The two case studies below are from the Indigenous Consumer Assistance Network in Cairns and concern the same company.

- An Indigenous client signed up for two first aid kits at a cost of what appears to be \$400 – 20 payments @ \$20. The client is on a Disability Support Pension. At the time of signing the direct debit authority, he didn't have \$20 in his account. His partner's family had referred the company to him (so presumably they had also signed up). The client did not see an actual example of the first aid kit.
- The company goes back to the houses of people who are almost finished paying off their first aid kits, and offers subsequent products. A client recently came in saying she was offered a 32" flat screen television. She was told that her direct debits will increase by \$10.00 bringing her payments to \$35.00/per fortnight. The company told her she will need to pay off the first \$200.00 on the TV before she receives the item (a breach of the door-to-door trading laws). She is unclear as to the total cost of the TV, but signed up anyway. For this client, it is a problematic situation, because not only can she not afford

¹ *Unconscionable Conduct and Aboriginal and Torres Strait Islanders*. ICAN Research Report, 2010.

² Cited by the Joint Treasury and Reserve Bank Taskforce, ATM Taskforce – Report on Indigenous ATM Issues, 28th February 2012, p 21-2. The ABS figures are from 2006.

³ Ibid.

the direct debit payments (leaves her bank account in a constant overdraft status), she is also hearing impaired and lip-reads, so is unsure about the mechanics of the full sales pitch when she was sold the TV.

Case Study - Pilbara and Kimberly, WA

- In November, 2001 a door-to-door trader has been targeting the Indigenous community in the Pilbara and Kimberly areas in WA selling car first aid kits, car fridges and water coolers/purifiers.
- Some people signed multiple contracts – the financial counsellor in Newman had one client who had signed five. Some people were told /or believed that the fortnightly direct debit was a one-off cost or the product was free. Others were told that the fridges would be filled with food sent from Queensland. Some of the people who purchased the kits, don't even appear to own cars.
- All of the people were Indigenous, on Centrelink benefits, ranging in age from 45 to 70.
- Other areas where this company had been include: Jigalong, Nullagine, Marble Bar, Parnpajinya Community Newman, Punmu, Pangurr, Tom Price, South Hedland. Other financial counsellors report that they have been in the Kimberly - Derby, Broome and Kununurra.
- At least for the clients in the Pilbara, the financial counsellor was able to get the contracts cancelled. A complaint about this company's conduct was made to both the ACCC and ASIC.

Case Study Energy Marketing

- In remote NSW, there are reports of misleading conduct by energy marketers.
 - Case study – an Indigenous client was told that their bill would be \$80 a month. When it arrived it was \$800.
- An older Indigenous woman was followed into her bedroom by the energy salesperson. She had gone in there trying to find her bank account details. He was pressing her to sign up.

It is worth noting that door-to-door selling appears to have become more prevalent after the NT Intervention. Prior to the intervention, traders had to get permission to enter a community. Now they do not. For example, in Alice Springs door-to-door traders wanting to sell products in the town camps, had to get permission from the Tangentyere Council. This is no longer required.

What FCA has done

As part of the joint CALC/FCA campaign, FCA has produced some community education materials, targeted toward ATSI communities and printed some specific ATSI Do Not Knock stickers. Copies of all these have been sent separately to the Committee.

The stickers were the work of Centacare Wilcannia-Forbes and use a design developed by some young Indigenous people in a detention centre.

The community education materials include a series of A3 flash cards. This visual approach, where the cards are used to start a conversation, is likely to be more successful than other mechanisms, such as brochures.

We are grateful to the Department of Families, Housing, Community Services and Indigenous Affairs for funding to put these materials together.

There has been good feedback about all of the materials, and they have been distributed to financial counsellors, legal aid agencies and WACOSS to date.

While we are very proud of these materials, community education in particular can only go so far. For the reasons set out above, ATSI consumers are very vulnerable to exploitation by door-to-door traders.

The Do Not Knock stickers will eventually become more prevalent (Centacare is also distributing a large number together with their Do Not Knock kit). However their success is largely going to depend on salespeople complying with them. Based on the experiences in urban Australia, outlined in the CALC submission, this may be a false hope.

We look forward to exploring these issues more at the public hearing.

Yours sincerely



Fiona Guthrie
Executive Director