



Submission to Department of Agriculture re Review of the Rural Financial Counselling Service

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About Financial Counselling Australia and Financial Counselling

Financial counsellors provide advice to people with money and debt issues. Working in community organisations, their services are free, confidential and independent.

Financial Counselling Australia (FCA) is the peak body for financial counsellors in Australia. FCA's members are the State and Territory financial counselling associations.

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1 Overall comments

This submission uses the term “generalist financial counsellors” and “rural financial counsellors” to distinguish between the two groups of workers.

2 Working more closely together

We welcome this review of the rural financial counselling sector. Amongst other things, we see it as an opportunity for the rural financial counselling sector to work more closely with their colleagues in generalist services.

We are particularly keen to support stronger and more consistent professional standards in the rural financial counselling sector.

Some rural financial counsellors are already members of their relevant State financial counselling association, but not all. Over the years, FCA has had some contact with the chairs of the rural financial counselling services. In the past nine months or so, this has become more regular and we have been discussing opportunities for closer cooperation with representatives of the Rural Financial Counselling Network. It would be positive if these discussions were to continue.

3 There are more similarities than differences between the roles

Rural financial counsellors assist *farmers and related farming businesses* experiencing financial stress. Generalist financial counsellors predominantly assist *individuals* experiencing financial stress. Generalist financial counsellors however may also assist small businesses experiencing financial issues.

The two professional groupings currently operate more or less independently of each other. As an overarching comment however, this is not a sensible structure. It would be preferable for the professions to work together much more closely, if not merge. This is because there are more similarities than differences between the roles and there would be significant benefits in relation to communication, professional development and ultimately, better client outcomes (see later also).

The current situation is more a matter of history and funding arrangements, so that the two groups have developed in parallel. At a Federal level, rural financial counsellors are funded by the Department of Agriculture and generalist financial counsellors are funded by the Department of Social Services.

In reality however, although rural financial counsellors and generalist financial counsellors target different client groups, the roles have much in common. The ultimate outcome for both groups is of course to help clients to overcome financial problems. Both roles require that the financial counsellor have appropriate counselling skills and appropriate technical knowledge.

The main difference between the roles is that a rural financial counsellor needs specific knowledge about issues affecting farming businesses, for example, cash flow management, how farms work and government assistance schemes. In many senses, rural financial counselling is a specialisation within financial counselling as a whole.

4 ASIC licensing exemption and “eligibility”

What are the licensing exemptions?

There are two forms of licence that might apply to the work of financial counsellors.

The first is an Australian Financial Services Licence (AFSL) imposed by the Corporations Act. The second is an Australian Credit Licence imposed by the National Consumer Credit Protection Act (Credit Act).

Generalist financial counselling agencies have specific exemptions from holding both of these licences, as long as they meet certain conditions. These include that financial counsellors are adequately trained, that they are eligible for membership of a State financial counselling association and that no fees or charges are payable by the consumer for the provision of financial counselling.

Rural financial counselling agencies only hold an exemption from the requirement to hold an Australian Credit Licence. The terms of the exemption are slightly different to those applying to generalist financial counselling agencies as there is no obligation on an agency to ensure that their staff are eligible for membership of a State financial counselling association.

Why are the exemptions needed?

The exemption from holding an Australian Financial Services Licence (AFSL) is applicable to parts of the role where the work of a financial counsellor may involve giving advice about general insurance products, superannuation or bank accounts. An example might be where a financial counsellor assists a person in making a claim for temporary or permanent disability under an insurance policy held within superannuation. Another might be suggesting that a person access their superannuation early. Another might be in suggesting that a person open a basic bank account, rather than an account that has fees and charges. Another might be suggesting that a person insure their home.

The exemption from holding an Australian Credit Licence is required because the work of financial counsellors involves providing “credit assistance” as defined in section 8 of the Credit Act. This includes suggesting or assisting a consumer to apply for or remain in a particular credit contract with a particular credit provider. An example of this assistance would be re-negotiating payment arrangements on a loan.

Rural financial counselling agencies and the AFSL exemption

It is not clear to us why rural financial counsellors would not be engaging in activities that would be grasped by the requirements of an AFSL. If they are not providing advice about

insurance, superannuation, and bank accounts it would be hard to see how they could be providing effective and holistic support to their clients.

Knowledge of the exemptions

As a general comment, the content and implications of the licensing exemption are not well understood by rural financial counselling agencies. For example, there is still a misunderstanding that a financial counsellor does not give advice. That is incorrect at law and in practical terms. All financial counsellors give advice. This is because a rural financial counsellor assesses the individual circumstances of a farming business and suggests solutions or options tailored for that business and situation. That advice would not be relevant for a different farming business. Similarly, generalist financial counsellors give advice because they look at the circumstances of an individual and suggest options or a course of action to help that individual address their own specific financial issues.

There are also some anecdotal reports of rural financial counselling agencies charging fees for service to clients that can afford to pay. This is a breach of the licensing exemption. A rural financial counselling agency can charge fees if they wish, but only if they obtain the appropriate licences (in our view both an AFSL and an ACL).

5 Benefits of a more joined up profession

National standards

In recent years, rural and generalist financial counsellors have been on an important journey of professionalism. In the generalist financial counselling sector this involves the following standards:

- Adherence to the [Australian Financial Counselling Code of Ethical Practice](#). This comprises a Code of Ethics (a statement of broad overarching values and principles) and a Code of Practice (with more detailed guidance)
- [Agency practice standards](#) – essential requirements for an agency to deliver financial counselling services
- [National standards for membership and accreditation](#) – setting out the minimum qualification required, training and supervision requirements
- National disciplinary policy – this sets out how a State association will respond to allegations of unsatisfactory professional misconduct
- A national policy on professional supervision is under development at present.

Flowing from the National Standards for Membership and Accreditation, all generalist financial counsellors that are members of their State financial counselling association must undertake 20 points of continuing professional development (CPD) each year. To our

knowledge every generalist financial counsellor in Australia is a member of their relevant State professional body.

The CPD a generalist financial counsellor undertakes must include some points relevant to ethics, some relevant to technical skills (for example updates to the law) and some relevant to skills (for example suicide prevention training or counselling skills). This means that financial counsellors keep their professional skills up to date, through maintaining their CPD.

To our knowledge there are no similar standards applying to the rural financial counselling sector (apart from a general provision in the ASIC licensing exemption that agencies ensure that a financial counsellor has undertaken appropriate training).¹ This runs the risk that rural financial counsellors do not stay up to date, or enhance or reinforce their knowledge and skills. In turn, this increases the potential for poor or inadequate advice, with flow on effects for client outcomes and agency liability.

Access to training opportunities, up to date knowledge about important changes to laws or practice

One of the major benefits of a more joined up profession would be that rural financial counsellors would get access, through FCA and the State financial counselling associations, to CPD. For example, last year, FCA offered two-day face-to-face training on domestic and family violence to financial counsellors around Australia. Some rural financial counsellors, who were members of their State association, heard about the training and were able to attend, but many did not. This was a missed opportunity in many ways. Family violence is a serious problem in the community and the data shows it is more prevalent in rural and remote areas.

Rural financial counsellors that are not members of their State associations also do not access a number of other useful tools and services provided by FCA and the associations these include:

- Updates on changes to the law – in our field of work, these types of changes are very common. For example, the new Banking Code of Practice starts on 1 July 2019 and has new clauses relevant to farms and small business. On the horizon are open banking and clarification about how hardship variations will be recorded on credit reports.
- Access to the FCA toolkit website – this is a password protected website available only for financial counsellors that are members of their State associations. This website has a list of creditor hardship contacts, latest news, a comprehensive suite of tools and resources and access to a number of online training modules.

¹ ASIC Credit (Financial Counselling Agencies) Instrument 2017/793, 19th September 2017, section 5(2)(d).

Diploma

One of the issues for rural financial counsellors is that the current units in the Diploma of Financial Counselling do not adequately cover the content they need to do their jobs. FCA represents the financial counselling industry on the Industry Skills Council that oversees the Diploma. Working in consultation with the rural financial counsellors we will advocate on their behalf for changes to the current course if necessary. The course is being reviewed next year.

6 Review of the generalist financial counselling services

The Department of Agriculture will be aware that the Federal Government recently commissioned an external, independent review of the generalist financial counselling sector. This review was conducted by Louise Sylvan AM and handed to the Government at the end of March 2019. It is our understanding that the Government will be releasing the review.

It is very likely that the review may lead to some important changes in the administration and funding for generalist financial counselling services.

It would be useful if officers in the Department of Agriculture and officers in the Department of Social Services were in touch to discuss the implications of the review, including synergies and administrative efficiencies.

7 Generalist financial counsellors and small business

Generalist financial counsellors report seeing more and more small business clients in their casework, across a broad spectrum, ranging from truckies, to building contractors to café owners.

FCA has been making the case to Government for a more coordinated response to assisting small businesses. This would be through:

- replicating the UK model of a National Business Debt Helpline, to complement the existing phone service for individuals (National Debt Helpline – www.ndh.org.au). The Business Debt Helpline would also offer webchat and a range of fact sheet and self-help materials;
- providing more structured training to generalist financial counsellors so they can better assist small businesses.

Both of these proposals are a direct response to increasing demand. Again, this suggests that there would be synergies in rural financial counsellors and generalist financial counsellors working together more closely.