

A step backwards in fixing debt issue

IT is widely reported that Australians have more personal debt per head of population than any other country in the world. This debt includes mortgages, personal loans, credit cards and unpaid fines and penalties.

Some people have the resources to manage and negotiate this debt. However, when the debt becomes unmanageable, more often than not the debtor will "bury their head in the sand" until such time as the creditors pursuing the debtor have no alternative but to institute legal proceedings to seek to recover the debt.

This only increases the debt and compounds the stress for the debtor, which in effect becomes a revolving door as the debt spirals completely out of control with the debtor ultimately contemplating bankruptcy or in some circumstances more drastic measures such as resorting to crime or suicide. It also burdens an already under-resourced court system.

An important aspect of managing the debt is the ability for debtors to access financial counselling services. Traditionally, these services have been provided by a number of organisations including government-funded organisations at state and federal level, non-government funded organisations, philanthropic organisations, and finally, by the enormous effort of volunteer organisations.

Through these organisations, in South Australia



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lia there are at least 120 full-time financial counsellors available to support those suffering financial hardship.

The average waiting time to access a counsellor in South Australia is estimated as just short of three weeks, with more than 50 people per week being turned away as appointments are not able to be made in a timely manner. The situation is worse for rural and Aboriginal people and people with cultural and diverse backgrounds.

Some of the counselling services are offered as an adjunct to the existing courts, particularly in the Magistrate's court where a significant number of debtors' matters are dealt with.

These services are provided through a combination of government, non-government and volunteer organisations. This has the effect of freeing up some court time.

In the 2010-11 State Budget delivered in September 2010, the SA Government announced it would cut 44 financial counsellor positions from Families SA. This has the effect of reducing the total number of counsellors in SA by at least a third. No alternate funding was proposed

by the Government that would assist non-government or volunteer organisations to meet the shortfall.

The SA Council of Social Services has estimated that the reduction in the number of available counsellors will mean that at least 7000 people who are in financial difficulty will be unable to access financial counselling services each year. This does not just impact on debtors' ability to negotiate a resolution of their problem (and potentially meet creditors' expectations) but also has wider social implications as the stress of the unresolved problem takes hold.

With mental health resources already stretched, it would seem to be a near-sighted decision to reduce the number of financial counsellors available and would appear to only shift and potentially increase the problem to other areas for which the Government also needs to take responsibility. In addition, at a time when the Government is seeking to improve court efficiencies this will be a backward step.

The Government needs to urgently review its decision, and ensure that adequate financial counselling services are available to those in need because a negotiated resolution of a debt problem will have a far greater long-term financial benefit than letting the problem continue to spiral out of control.

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