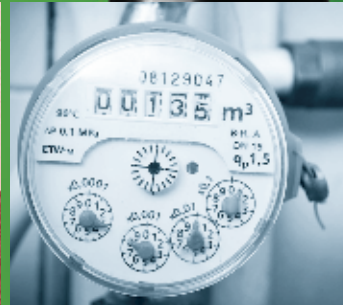


Better Solutions for Helping Customers with Financial Difficulties: Energy and Water

A cross-sector approach to supporting vulnerable consumers

January 2016



SACOSS

*South Australian Council
of Social Service*

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First published in January 2016
by the South Australian Council of Social Service

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This project was funded by Energy Consumers Australia (www.energyconsumers.com.au) as part of its grants process for consumer advocacy projects and research projects for the benefit of consumers of electricity and gas. The views expressed in this document do not necessarily reflect the view of Energy Consumers Australia.




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Background

The South Australian Council of Social Service (SACOSS) is the peak non-government representative body for health and community services in South Australia, and has a vision of Justice, Opportunity and Shared Wealth for all South Australians.

SACOSS has a long-standing interest in the delivery of essential services. Our research shows that the cost of basic necessities like electricity, gas and water impacts greatly and disproportionately on vulnerable and disadvantaged people.

Energy and water affordability remains a persistent problem for many Australian households. Recent data from the Australian Energy Regulator for NECF participatory jurisdictions¹ illustrates approximately 228,000 customers had incurred an energy debt with an average electricity debt of \$709 and \$453 for gas. Over 158,000 customers were paying for their energy consumption via a payment plan and approximately 45,000 customers were signed onto a hardship plan with their energy retailer². These figures highlight the financial hardship and potential financial stress³ many residential consumers are living with.

Creating better outcomes for energy and water consumers experiencing financial stress is an important element of SACOSS' advocacy work. In 2014, SACOSS (in partnership with energy retailers and community sector organisations) developed a Better Practice Guideline for Energy Retailers, a collaborative approach to preventing hardship amongst energy consumers. This Guideline seeks to assist energy retailers in developing and implementing hardship policies and business practices that work towards minimising consumer financial stress. The Guideline contains five better practice principles highlighting the priority issues experienced by vulnerable consumers and also provides retailers with mechanisms to implement and maintain the better practice principles and measures.

Collaborative dialogue on delivering better practice to vulnerable consumers continued at the SACOSS Hardship and Affordability Conference 2015: Energy, Water and Telecommunications. The 'What makes transformational change possible in a business environment?' session showcased three businesses which have successfully transformed their approach to customer hardship. These businesses are presented as case studies within this report.

¹ National Energy Customer Framework currently applies in the ACT, Tasmania, SA, NSW and QLD. The data does not include QLD who commenced NECF in July 2015. <http://www.aemc.gov.au/Energy-Rules/Retail-energy-rules/Guide-to-application-of-the-NECF>

² Data collected from the AER's Retail Statistics reporting, 2014-15 Q3, as at 31st March 2015, <http://www.aer.gov.au/retail-markets/retail-statistics>.

³ Financial stress as defined by Brackertz (2012, p. 5) refers to people who are '*unable to afford essential items such as food and heating or may not be able to pay their bills. It is also a source of stress and anxiety which negatively affects people's health and ability to cope*', www.salvationarmy.org.au/Global/News%20and%20Media/Reports/2012/00099-I-wish-I-had-known-sooner-Oct-2012.pdf.

Introduction

With customer financial stress firmly on the advocacy agenda, SACOSS is embarking on a project to partner with energy retailers. This project will focus on collaborating with retail businesses to identify enhancements to current business activities in line with the SACOSS Better Practice Guideline and to address barriers to retail businesses adopting elements of the SACOSS Guideline.

This report has been developed to inform energy and water retailers of the pathways other businesses have taken to improve the outcomes for vulnerable consumers. Containing three case studies from Australian water and finance industries, the report examines the process each business has undertaken to transform their financial stress frameworks, policies and programs.

The case studies presented within illustrate better practice in customer financial stress management for the following businesses:

- Yarra Valley Water - an award winning best practice Victorian water supply and sanitation business. Yarra Valley Water has successfully implemented a customer financial stress framework across the entire customer service operation, including external contractors;
- Credit Corp Group - a national debt management company. Credit Corp Group has collaborated with community service organisations to develop and implement responsible customer financial stress practices⁴ and,
- Australian Bankers' Association - a policy, advice and advocacy service for the banking industry. The Australian Bankers' Association is responsible for pioneering an industry-wide approach to customer financial stress.

This report is intended to be read with the SACOSS Better Practice Guideline for Energy Retailers, a collaborative approach to preventing hardship amongst energy consumers⁵.

⁴ Footscray Community Legal Centre and Federation of Community Legal Centres 2012, *Council debt collection: alternatives to suing ratepayers in hardship*, http://www.footscrayclc.org.au/images/stories/Council_debt_collection_Alternatives_to_suing_ratepayers_report_2012.pdf, p. 8.

⁵ SACOSS 2014, Better Practice Guideline, https://www.sacoss.org.au/sites/default/files/public/documents/Reports%20copy%201/Better_Practice_Guidelines_FINAL-min2.pdf

Case Study 1: Yarra Valley Water



Overview of the Business⁶

Yarra Valley Water (YVW) is the largest water and sanitation provider in Melbourne, servicing over 1.7million people and 50,000 businesses in the northern and eastern suburbs. The business employs approximately 543 full-time employees, is overseen by an independent Board appointed by the Victorian State Government and is regulated by the Essential Services Commission (of Victoria).

One of the biggest challenges facing all utility stakeholders is the affordability of essential services such as electricity, gas and water. YVW recognises this is a growing challenge for many people with a recent survey indicating 42% of Melburnians are particularly vulnerable to financial hardship⁷.

YVW's business model for supporting customers in financial difficulty is widely recognised as best practice and their commitment to genuinely assist vulnerable customers has evolved over many years culminating in an effective Hardship Policy Framework.

YVW's success in developing a 'customer-focussed hardship policy' was formally acknowledged at the national level in 2005. In partnership with Kildonan Child and Family Services, YVW was awarded the Prime Ministers' Award for Excellence in Community Business Partnerships⁸.

Validation from the community services sector is also evidenced in research findings that conclude, 'Yarra Valley Water has the most comprehensive hardship assistance scheme in place'⁹ and are considered to be an 'industry leader' for best practice in the management of utility debts for women who are experiencing domestic violence¹⁰.

⁶ YVW, Our Organisation, <http://www.yvw.com.au/Home/Aboutus/Ourorganisation/index.htm>.

⁷ GA Research 2013, *Supporting Vulnerable Customers* Report, http://clearwater.asn.au/user-data/research-projects/swf-files/10tr13---001-supporting-vulnerable-customers_final_report.pdf, p. 6.

⁸ Australian Government 2005, Former Ministers, Victorian community business partnership awarded, Media Release, http://www.formerministers.dss.gov.au/6772/victorian_community_22aug05/.

⁹ Consumer Law Centre Victoria 2006, *The implementation of residential hardship policies by Victorian water businesses*, <http://consumeraction.org.au/wp-content/uploads/2012/05/DL51.pdf>, p. 35.

¹⁰ Consumer Utilities Advocacy Centre 2014, *Helping not hindering: Uncovering domestic violence and Utility debt*, <http://www.cuac.org.au/research/cuac-research/345-helping-not-hindering-uncovering-domestic-violence-utility-debt/file>, p. 37.

Framework

Underpinning YVW's hardship policy and support programs is a philosophy that places the customer at the centre of the process. This is evident from the business recognising¹¹:

- a) Residential customers can experience either short-term or long-term financial difficulty and the policy 'ensures that all these customers are treated with dignity and respect', including referring to customers in financial difficulty as Customer Support Customers;
- b) Effective hardship policies and associated programs need to be 'based on a focus of shared responsibility and delivered in a model that supports self-determination' and,
- c) Vulnerability is a 'continuum with different requirements and [requires] various treatment streams'.

Policy

YVW's Hardship Policy is available for any Customer Support Customer (CSC) 'who is identified either by themselves, YVW, or an independent accredited financial counsellor as having the *intention, but not the financial capacity* to make the required payments within the timeframes set out in [YVW's] payment terms' (full assessment criteria is available from the YVW website)¹².

The YVW Hardship Policy has five Key Principles as outlined below¹³.

1. Information provision that is transparent and accessible including:
 - The Hardship Policy is available on request and via YVW's website including in other languages; and,
 - Information on how to discuss payment arrangements is included on all bills and follow-up notices.
2. Operational protocols that are respectful and engaging including:
 - YVW recognises conversations with CSC's may be difficult and challenging for the customer and this requires sensitivity and compassion from YVW staff;
 - Proactive and empathetic communication and listening without judgement to achieve outcomes that meet customer and business needs;
 - Identifying customers who may require additional assistance early in the collection process;
 - Free call 1800 number for customers;
 - Contact details of the Customer Support Team (CST) provided to key stakeholders; and,
 - Escalation processes in place to deal with complaints regarding the Hardship Policy.

¹¹ YVW, Hardship Policy, <http://www.yvw.com.au/Home/Website/hardship-policy/index.htm>.

¹² Ibid.

¹³ Ibid.

3. Extensive and ongoing staff training including:

- All customer contact staff are trained in the Hardship Policy and programs during induction and at regular refresher sessions; and,
- Regular reviews and updates of the training package by YVW's financial counselling partner.

4. Water efficiency focus including:

- Assisting customers in financial difficulty to manage their water consumption and their account;
- In assessing a customer's situation the CST review the need for water efficiency advice and eligibility for YVW water conservation and retrofit programs; and,
- If additional plumbing work outside of the above assistance is required for a CSC, YVW engages with the customer, to look at options 'to address the customer's situation'.

5. Continual improvement including:

- Annual review of the Hardship Policy and programs in consultation with key partners;
- Participation in forums with key external stakeholders to improve the businesses 'understanding of the complex issues confronting customers'; and,
- Review of customer and key stakeholder feedback to improve YVW services.

The entire Hardship Policy is available from the YVW website¹⁴ and the WaterCare Hub website in 20 languages.

¹⁴ YVW, Hardship Policy, <http://www.yvw.com.au/Home/Website/hardship-policy/index.htm>.

Programs

YVW has a suite of customer support options under its WaterCare Program. There is no formal assessment criteria used to determine a customer's eligibility as all customers are assessed on a case by case basis and are based on a two-way conversation. Some of the indicators that may highlight a customer's need for additional assistance include the following¹⁵:

- 'Eligibility for Government funded concessions (e.g. Health Care Card, Centrelink benefit)';
- A history of frequent requests for payment extensions or payment arrangements that have not been met;
- Unable to afford the costs of current usage and debt, even if smoothed over a 12 month period;
- Previous application 'for a Utility Relief Grant (irrespective of whether or not the application was successful)';
- 'A payment history that indicates difficulty paying their account in the past';
- 'Sudden change of circumstances that adversely affects ... financial capacity to pay';
- Via 'referral from a financial counselling agency or community organisation';
- Self-identification of financial difficulty;
- A low level of income, that is unlikely to change; and,
- Unemployment.

YVW considers 'the above points are possible indicators of a customer requiring additional support, however [YVW assesses] each case in accordance with the customer's individual circumstances'¹⁶.

YVW's WaterCare Programs are available to all residential customers depending on their needs at the time and include:

SmoothPay – a flexible payment arrangement aimed at reducing the impact of quarterly bills on household budgets. This option allows customers to 'average out the annual cost of their water bills and schedule payments over 12 months on a fortnightly or monthly basis'¹⁷.

Payment assistance – YVW works with customers to implement tailored solutions that help customers 'take back control' of their bills. Solutions may include affordable payments based on individual circumstances (Arrange and Save), access to government assistance and/or concessions, home visits and financial counselling¹⁸.

¹⁵ YVW, Hardship Policy, <http://www.yvw.com.au/Home/Website/hardship-policy/index.htm>.

¹⁶ Ibid.

¹⁷ YVW, SmoothPay Terms and Conditions, <http://www.yvw.com.au/Home/Website/Termsconditions/SmoothPaytermsandconditions/index.htm>.

¹⁸ YVW, Need support paying your account?, <http://www.yvw.com.au/Home/Youraccount/Paying/Havingtroublepayingyouraccount/Paymentassistance/index.htm>.

Deferred debt – A portion of the debt is removed from the current balance and payment is deferred until a later date. This provides customers with the opportunity to pay current charges and pay off the older debt when circumstances change¹⁹. This arrangement is based on capacity to pay and is available to home owners who are unable to cover the cost of usage and outstanding debt. Terms, conditions and eligibility criteria are applicable²⁰.

Payment extensions – Customers experiencing short-term payment difficulties can extend their payment due date by up to 30 days (from the current due date) via YVW's online portal²¹.

Concessions and pensions – YVW assists eligible customers to receive state government concessions or entitlements and applies the concession directly to the bill²². This assistance also includes validating eligibility with Centrelink every quarter²³.

Achieving Best Practice

It is clear that YVW has invested heavily in their commitment to assist vulnerable customers. Managing Director, Pat McCafferty during a presentation at the 2015 SACOSS Hardship and Affordability Conference outlined the key elements of YVW's journey to best practice. These include the importance of strategic partnerships, developing a dedicated team, identifying and implementing customer support team values and delivering great customer outcomes²⁴.

Strategic Partnerships

YVW believes building trusted relationships across the sector is vital. The business has a long history in collaborating with community service organisations to gain valuable 'insights on how to best support customers experiencing financial hardship'²⁵. Industry partners include Kildonan UnitingCare; Financial and Consumer Rights Council Inc; Consumer Utilities Advocacy Centre; Victorian Council of Social Service; Financial Counselling Australia and, Consumer Action Law Centre²⁶.

¹⁹ YVW, Deferred debt for home owners, <http://www.yvw.com.au/Home/Youraccount/Paying/Havingtroublepayingyouraccount/deferred-debt/index.htm>.

²⁰ Email communication C Sterling, YVW 25 November 2015.

²¹ Ibid.

²² YVW, Concessions and payments, <http://www.yvw.com.au/Home/Youraccount/Accountconcessions/index.htm>.

²³ YVW, Concessions and payments, <https://www.yvw.com.au/Home/Youraccount/Accountconcessions/Applyforconcession/index.htm>

²⁴ McCafferty, P 2015, YVW, *Our customer support journey*, SACOSS Hardship and Affordability Conference, <https://www.sacoss.org.au/sites/default/files/public/documents/Pat%20McCafferty%20SACOSS%20H%26A2015%20%28Delivering%20Best%20Practice%29%20COMPRESSED.pdf>.

²⁵ YVW 2013, *Draft Essential Services Commission Price Decision Response*, <http://www.esc.vic.gov.au/getattachment/85596175-2648-4ba0-af2a-62bc89f3ae18/Yarra-Valley-Water.pdf>, p. 22.

²⁶ McCafferty, P 2015, YVW, *Our customer support journey*, SACOSS Hardship and Affordability Conference, <https://www.sacoss.org.au/sites/default/files/public/documents/Pat%20McCafferty%20SACOSS%20H%26A2015%20%28Delivering%20Best%20Practice%29%20COMPRESSED.pdf>.

These partnerships have assisted YVW to develop and implement financial stress policy measures that are effective and respectful. Practical examples of this include collaborating with the financial counselling partner to ensure YVW staff training is 'current, relevant and appropriate' and the development of 'appropriate, customer focused but commercial and innovative ways to assist CSC's to reduce debt levels and effectively transition them back to mainstream billing and payment processes'²⁷.

YVW's commitment to customer solutions has also included participation in Kildonan UnitingCare's 'CareRing' Pilot Program. This program was subsequently rolled out to other utility businesses in 2014 and tackles 'financial hardship by working directly with businesses to identify vulnerable customers at the earliest stages of financial stress. The project, described as an Australian-first, aims to triage financial issues and facilitate debt relief and payment plans, while also screening for co-occurring issues that could be contributing to or compounding problems'²⁸.

The fostering of inter-agency assistance is mutual with the development of the YVW Water Care Hub. The Hub is designed as an online information resource centre for community organisations, providing access to credible and timely information including WaterCare Programs, customer support services; forms and brochures in multiple languages, water industry updates and connection to other Hub members and experienced YVW staff²⁹.

Collaboration with industry has also seen YVW take the lead and partner with other utility businesses to develop and implement a Cross Utility Hardship Referral Program Pilot. These programs assist in ensuring 'early identification of customers in hardship and provides simple and effective referral pathways into other utilities'³⁰.

Engaging in community consultation via YVW's Community Advisory Group (CAG) is an important mechanism for the business to make informed decisions. The CAG has been active since 1995 and provides input on a range of customer issues including identifying 'a number of challenges for the business on key customer issues'. The Committee is represented by a diverse group of consumers, community service workers and industry groups³¹.

Developing a Dedicated Team

Central to YVW's customer outcomes is a team of people dedicated to delivering the best possible service to vulnerable customers. YVW is achieving this via various means including ensuring a whole-of-business training approach for all customer-facing staff (including external contractors) on WaterCare Programs and their Hardship Policy.

²⁷ YVW, Hardship Policy, <http://www.yvw.com.au/Home/Website/hardship-policy/index.htm>

²⁸ Kildonan UnitingCare 2014, Business N-F-P partnership to tackle financial hardship, <https://www.kildonan.org.au/media-and-publications/news/business-nfp-partnership-to-tackle-financial-hardship/>.

²⁹ YVW, About WaterCare, <http://www.watercare.com.au/about-watercare>.

³⁰ YVW, *Annual Report 2011/12*, <http://www.yvw.com.au/yvw/groups/public/documents/document/yvw1003361.pdf>, p. 3.

³¹ YVW, Community consultation, <http://www.yvw.com.au/Home/Inyourcommunity/Communityconsultation/Page1/index.htm>.

Staff training includes understanding triggers of financial difficulty, how to talk to customers experiencing financial difficulty – focusing on language and tone, literacy and access issues, government assistance and, legal requirements and responsibilities. Training programs and procedure manuals are provided to external partners including debt collectors and plumbing contractors to ensure the level of customer service is in accordance with YVW's requirements³².



Customer Support Team Values

These words describe the values incorporated in YVW's Customer Service Team ethos and are demonstrated by ensuring CSC's:

- 'Are treated with dignity and respect and complete confidentiality;
- Have a dedicated case manager in the [CST] who will work with customers for as long as support is required and,
- Are shielded from further debt recovery action in relation to water and sewerage bills³³.

YVW 2015, *Our Customer Support Team Values Word Cloud*³⁴.

Delivering Great Outcomes

YVW customers have also validated the businesses approach to customer hardship by '80% of customers transitioning out of hardship, stay on track and do not bounce back'³⁵ and 82% of hardship customers rating their relationship and YVW's service as 'better or much better than other utilities'³⁶.

³² YVW, Hardship Policy, <http://www.yvw.com.au/Home/Website/hardship-policy/index.htm>.

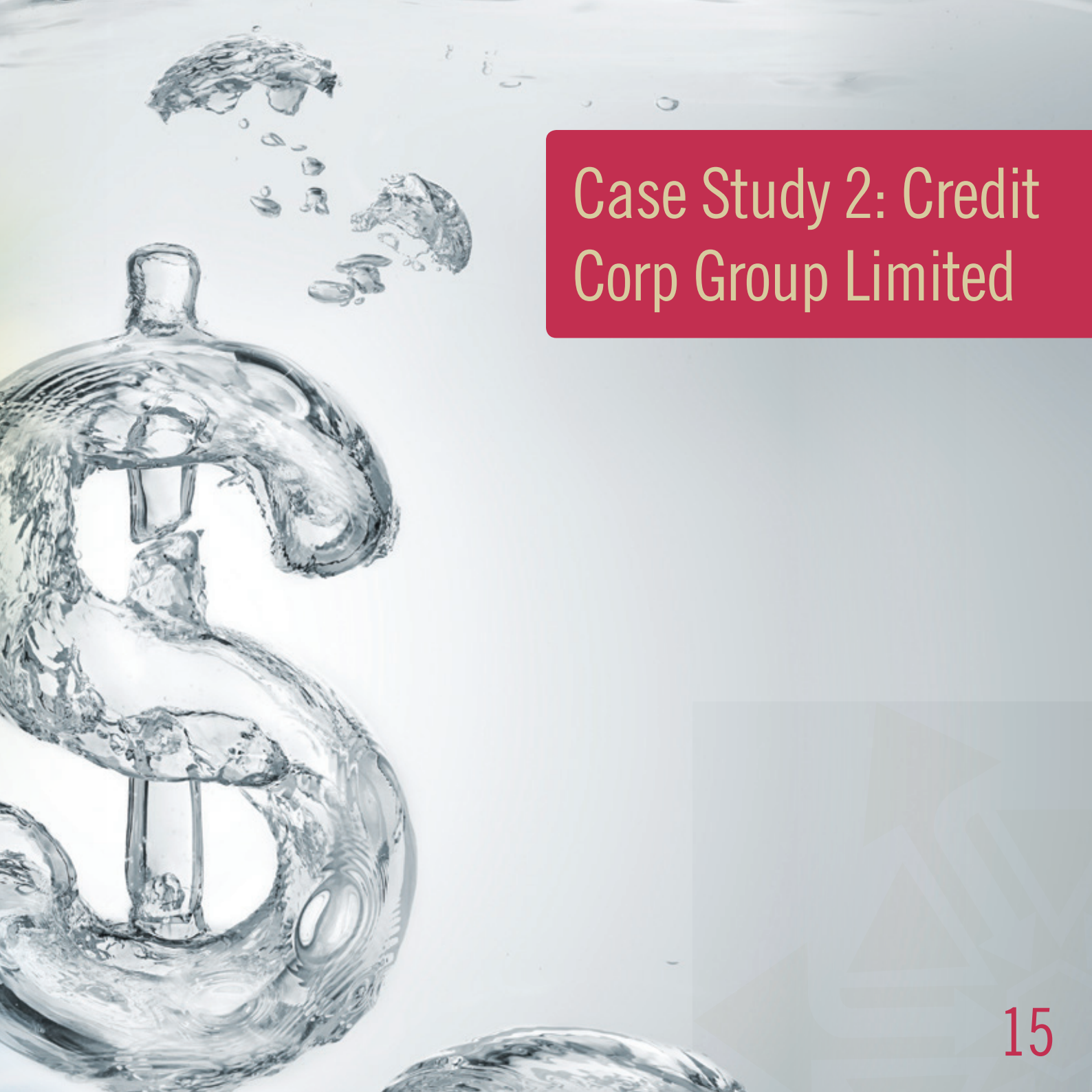
³³ YVW, Need support paying your account? <https://www.yvw.com.au/Home/Youraccount/Paying/Havingtroublepayingyouraccount/Paymentassistance/index.htm>.

³⁴ McCafferty, P 2015, YVW, *Our customer support journey*, SACOSS Hardship and Affordability Conference, <https://www.sacoss.org.au/sites/default/files/public/documents/Pat%20McCafferty%20SACOSS%20H%26A2015%20%28Delivering%20Best%20Practice%29%20COMPRESSED.pdf>.

³⁵ Ibid.

³⁶ YVW, *Annual Report 2013/14*, <http://www.yvw.com.au/yvw/groups/public/documents/document/yvw1004855.pdf>, p. 5.





Case Study 2: Credit Corp Group Limited

Overview of the Business

Credit Corp Group Limited (CCG) 'is Australia's largest receivables management company, specialising in debt purchase and debt collection services'³⁷. CCG focuses on consumer and small business debts from Australian and New Zealand banks, finance companies and telecommunication and utility companies'³⁸. With over 900 staff located in Australia and off-shore, CCG offers a range of debt recovery services including debt sale, agency services (collections), hardship management and insolvency management³⁹.

The nature of CCG's business means it is often at the coal face of customer financial stress. In 2014 CCG had 744,000 customers in various forms of financial stress. 120,000 of these customers were making regular weekly or fortnightly payments and on average projected to take more than three years to repay the debt. Over two-thirds of CCG's collections are received via these long-term arrangements⁴⁰.

Managing Customer Financial Stress

In 2009, following a five year period of significant business growth CCG recognised the need to transform their response to customers experiencing financial stress. CCG acknowledged a discord within the company's collection culture, a lack of engagement with financial counsellors and consumer advocates, inconsistent consumer outcomes and increased scrutiny from peak regulators (due to business growth) as issues that required attention⁴¹.

CCG's response to the above began with an honest external review of the businesses customer hardship and collections philosophy and processes. Kildonan UnitingCare, an innovative and trusted community service organisation, was engaged to conduct the review and a plan of improvement was developed in partnership with the business⁴². The plan included a 'diagnostic phase, engagement and early assistance and staff training, aimed at ensuring customers were treated fairly while maintaining and improving the company's financial performance'⁴³.

³⁷ Credit Corp Group 2011, About us, <http://www.creditcorp.com.au/corporate/about-us/>

³⁸ Credit Corp Group 2014, *Working With You Annual Report*, <http://www.creditcorp.com.au/CCG%20content%20files/Annual%20Reports/Credit%20Corp%20Annual%20Report%202014.pdf>, p. 4.

³⁹ Credit Corp Group 2011, Debt Recovery Services, <http://www.creditcorp.com.au/corporate/services/>.

⁴⁰ Credit Corp Group 2015, *Grow with Community Annual Report*, <http://www.creditcorp.com.au/CCG%20content%20files/ASX%20Announcements/CreditCorpAnnual%20Report2015.pdf>, p. 10.

⁴¹ Angell, M 2013, CCG, 'Respectful practice in Australia's largest debt collection company' presentation, Credit and Collections in Energy and Water Conference, 28-29 May.

⁴² Ibid.

⁴³ Kildonan UnitingCare 2013, *Annual Report 2012-2013*, <https://www.kildonan.org.au/media-and-publications/strategic-plans-and-annual-reports/>, p.12.

⁴⁴ Borrell, J 2012, *Keeping ahead of the game: responding to changing environments*, Kildonan UnitingCare, <https://www.kildonan.org.au/media-and-publications/research/hardship-forum-paper/>, p. 13.

Transforming the Way CCG Manages Customer Financial Stress

Initially the collaborative partnership between CCG and Kildonan UnitingCare presented some challenges, in particular the divergence between business objectives and improved outcomes for vulnerable consumers. Sue Fraser, Senior Manager Enterprise Partnerships, from Kildonan publically commented 'It took us six months to decide to work with each other. It was like a dance. Trust and confidentiality was important'⁴⁴. CCG and Kildonan UnitingCare worked through the challenges by recognising that agreement wouldn't always occur and ultimately decided to 'focus on the consumer in realistic and honest' ways⁴⁵.

The process to develop and implement the improvement plan has been a four-year collaborative project for CCG and Kildonan UnitingCare. Each phase of the plan is outlined below⁴⁶:

Phase 1: Listening, observation and assessment

CCG listened more to consumers, financial counsellors, legal aid centres and regulators to gain feedback on their performance. These conversations enabled CCG to understand the reality for vulnerable customers and to also recognise assumptions were being made regarding consumer behaviours⁴⁷. CCG acknowledged its '...reputation, whilst not completely justified, was not particularly healthy or conducive to positive consumer engagement'⁴⁸.

Phase 2: Embedding an improved collection culture

This was facilitated by⁴⁹:

- Developing and implementing respectful practice underpinned by a philosophy of respect, willingness to learn and an ability to listen. This also included a review mechanism to monitor progress;
- Removing tunnel vision (a recognised industry norm) from the collection practice;
- Implementing an accelerated process for financial counsellors;
- Engaging regularly with the consumer sector to facilitate continuous learning; and,
- Improving collection policies including those relating to consumer profiling, legal action and compliance.

⁴⁵ Fraser, S & Angell, M 2012, Kildonan Uniting Care and Credit Corp Group, 'And the financial counsellor said to the debt collector...' presentation Financial Counselling Australia Conference, 16 May.

⁴⁶ Angell, M 2014, CCG, 'Debt Collection or Hardship Management?' presentation Collections and Hardship Programs in Utilities, Banks and Telecommunications Conference, 24 June.

⁴⁷ Fraser, S & Angell, M 2012, Kildonan Uniting Care and Credit Corp Group, 'And the financial counsellor said to the debt collector...'.

⁴⁸ Angell, M 2013, CCG, 'Respectful practice in Australia's largest debt collection company' presentation.

⁴⁹ Ibid.

Phase 3: Comprehensive training and external engagement

CCG implemented the following measures⁵⁰:

- Introduction of a training program on contemporary society to improve the understanding of the issues impacting consumers;
- A whole-of-operation respectful practice training program delivered by Kildonan UnitingCare trainers;
- Implementation of a robust consequence policy for staff and team leaders;
- Implementation of processes to write-off debt for appropriate cases; and,
- Approval of recommended repayment arrangements from accredited financial counsellors.

Phase 4: Redefining performance and ongoing training

CCG's commitment included⁵¹:

- Introducing a 360 degree review process to include feedback from financial counsellors, legal services, consumers, regulators and CCG staff to obtain an honest appraisal of CCG's progress and performance;
- Developing policies, procedures and scripts which address the 'realities of engaging with consumers in hardship' and also satisfy regulation requirements;
- Introducing ongoing staff training (delivered by Kildonan UnitingCare trainers) to improve awareness of the issues customers in hardship experience;
- Introducing an incentive program based on the creation of appropriate payment methods rather than the amount of revenue collected⁵²;
- Challenging standard collection incentive models by aligning bonus systems with desired behaviours;
- Ensuring compliance with policies and acting against breaches via preventative and investigative methods; and,
- Repeating the above actions to continuously improve business practices and performance.

Impacts of the Improvement Plan

The implementation of the improvement plan has provided positive results for CCG's vulnerable customers including⁵³:

- An understanding by CCG employees that 'anyone can experience unexpected financial problems';

⁵⁰ Angell, M 2013, CCG, 'Respectful practice in Australia's largest debt collection company' presentation.

⁵¹ Angell, M 2014, CCG, 'Debt Collection or Hardship Management?' presentation.

⁵² Angell, M 2013, CCG, 'Respectful practice in Australia's largest debt collection company' presentation.

⁵³ Angell, M 2014, CCG, 'Debt Collection or Hardship Management?' presentation.



- A customer engagement culture which ‘encourages continued contact, honest representation of the issues and intentionally counteracts potential roadblocks including embarrassment and avoidance’;
- Tailored customer solutions which work ‘within the constraints of a customer’s financial circumstances’; and,
- Effective collaboration with ‘financial counsellors and other consumer representatives’.

From a business perspective CCG has also gained benefit, including⁵⁴:

- Over 50% increase in revenue from flexible payment arrangements that comprise over 70% of CCG’s monthly collection receipts (an industry leading statistic);
- Over 25% increase in staff productivity;
- Maintaining the ‘integrity of the corporate objective of minimising financial losses’;
- Achieving ‘on-target customer satisfaction feedback’;
- 27% increase in recurring payment arrangements (activated to reduce defaults)⁵⁵; and,
- ‘Substantial improvements in customer dealings and better relationships with the community sector and regulators’⁵⁶.

In the 2014 Annual Report CCG stated:

‘Our aim is structured repayment plans which allow customers to remain active in the community, while continuing to recognise their credit obligations. Once we establish contact with a new customer, we commit ourselves to working with the customer to understand their financial situation.

It is our experience that people in financial difficulty can be assisted most effectively through an open dialogue and a flexible repayment approach. CCG only pursues remedies such as legal enforcement when a customer fails to enter into a constructive dialogue. We encourage our customers to reach a negotiated resolution and demonstrate an ability to comply with any resulting agreement. It is our view that this constructive approach supports customers in resolving their financial difficulties’⁵⁷.

Credit Plan B

Credit Plan B, as a subsidiary of CCG, also offers assist to customers who are managing multiple debts. This includes free alternatives that do not require up-front costs such as reducing and consolidating monthly repayments, freezing interest and charges and dealing with creditors on customers’ behalf⁵⁸.

⁵⁴ Ibid.

⁵⁵ Kildonan UnitingCare 2013, *Annual Report 2012-13*, <https://www.kildonan.org.au/media-and-publications/strategic-plans-and-annual-reports/>.

⁵⁶ Ibid.

⁵⁷ Credit Corp Group 2014, *Annual Report*, <http://www.creditcorp.com.au/CCG%20content%20files/Annual%20Reports/Credit%20Corp%20Annual%20Report%202014.pdf>, p. 14.

⁵⁸ Credit Plan B, <http://www.creditplanb.com.au/>.

A small green plant with several leaves is growing out of a glass jar. The jar is filled with many coins, and some coins are visible on the surface in front of the jar. The background is a blurred blue and green, suggesting an outdoor setting.

Case Study 3: Australian Bankers' Association Inc.

Overview of the Business

The Australian Bankers' Association (ABA) 'provides analysis, advice and advocacy for the banking industry and contributes to the development of public policy on banking and other financial services'⁵⁹. The ABA is governed by a Council⁶⁰ and currently has 26 member banks in Australia including ANZ, Commonwealth Bank of Australia, NAB, Westpac and Bendigo and Adelaide Bank⁶¹.

The ABA seeks to ensure banking in Australia is affordable and accessible and customers get the right products and services. This aim is supported by a focus on a large range of policy issues including the development of industry standards and codes, improving support to vulnerable customers and improving financial literacy Australia-wide⁶².

ABA supports vulnerable customers by taking an industry-wide approach to customer financial financial stress. This is demonstrated by ABA's commitment to facilitating best practice across the banking sector via the development of industry codes, standards and guidelines that address customer financial stress and the co-creation of a financial hardship package. Details of these are outlined below.

Codes, Standards and Guidelines*

Code of Banking Practice

The ABA is actively involved in continually developing the Code of Banking Practice. The Code is the 'industry's customer charter on best banking practice standards' and sets out key commitments and obligations regarding standards of practice, disclosure, principles of conduct and dispute resolution⁶³. Whilst the Code is not legislation it forms part of the broader national consumer protection framework and 'banks that adopt the Code are considered to be contractually bound by their obligations under the Code'⁶⁴. Compliance to the code is monitored by the Code Compliance Monitoring Committee; an independent body tasked with investigating and determining allegations of breaches of the Code⁶⁵.

*Full versions of the codes, standards and guidelines are available at <http://www.bankers.asn.au/Consumers/Industry-Standards>

⁵⁹ ABA, About us, <http://www.bankers.asn.au/About-Us/The-ABA>.

⁶⁰ Ibid.

⁶¹ ABA, Members, <http://www.bankers.asn.au/About-Us/Members>.

⁶² ABA, What we do, <http://www.bankers.asn.au/About-Us/What-We-Do>.

⁶³ ABA, Code of Banking Practice, <http://www.bankers.asn.au/Industry-Standards/ABAs-Code-of-Banking-Practice>.

⁶⁴ ABA 2013, *Code of Banking Practice FAQ's*, <http://www.bankers.asn.au/Industry-Standards/ABAs-Code-of-Banking-Practice>, p. 1.

⁶⁵ ABA, External dispute resolution, <http://www.doingittough.info/Need-Help-Right-Now-/Making-a-complaint/External-dispute-resolution/External-dispute-resolution>.

The Code includes a specific clause on assisting customers in financial difficulty and includes clauses relating to the standards expected for customer contact, information provision and the level of training for banking staff managing hardship customers⁶⁶.

Code of Operation

The ABA and its members are co-signatories (with the Department of Human Services and Department of Veterans Affairs) to the Code of Operation regarding the recovery of debts from income support customers who are overdrawn on their bank accounts. This Code 'prescribes that no more than 10% of an income support or Department of Veterans' Affairs payment should be applied to the recovery of debts. The aim of this Code is to ensure recipients of income support have sufficient income to maintain adequate living standards'⁶⁷.

Industry Guidelines*

Promoting Understanding about Banks' Hardship Programs⁶⁸

This Guideline promotes best practice across the banking industry by providing the information required for ABA members to develop and implement appropriate hardship programs. This includes:

1. Definitions of financial hardship
2. Principles for industry practice
3. Examples of hardship arrangements including:
 - postponed/deferred payments
 - debt restructuring
 - payment holiday
4. Information on the regulatory framework
5. Accessing hardship programs
6. Implementing hardship programs including:
 - appropriate staff training
 - identifying customers in hardship
7. Promoting awareness of hardship assistance
8. Complaint processes

* Participation in ABA industry guidelines is voluntary. However the guidelines outlined have been developed in consultation with and agreed to by member banks.

⁶⁶ ABA 2013, *Code of Banking Practice*, <http://www.bankers.asn.au/Industry-Standards/ABAs-Code-of-Banking-Practice>, pp. 23 & 24.

⁶⁷ ABA, Industry Standards, <http://www.bankers.asn.au/Consumers/Industry-Standards>.

⁶⁸ ABA 2015, *Promoting understanding about banks' hardship programs*, <http://www.bankers.asn.au/Consumers/Industry-Standards>, pp. 1 – 14.

Protecting Vulnerable Customers from Potential Financial Abuse

Financial stress caused by financial abuse is a serious concern. Recent research conducted by WIRE demonstrates the levels of financial abuse within family relationships is 'widespread and common' but is also 'often hidden and unrecognised'⁶⁹.

The ABA has created a guideline to support banks and their customers in dealing with financial abuse. This guideline provides valuable information for banks in identifying financial abuse and understanding the impact it has on customers. It also provides a 'framework for banks to raise awareness and promote consistent arrangements to deal with suspected cases of financial abuse'⁷⁰.

*Indigenous Statement of Commitment*⁷¹

The ABA recognises many Indigenous Australians face 'significant social, economic and financial disadvantage'. In 2007 the ABA developed the Indigenous Statement of Commitment that outlines how the retail banking industry may make a difference for Indigenous People and their communities. This includes:

- Acknowledging Indigenous banking issues across the retail banking sector
- Advocating for better understanding of Indigenous culture
- Promotion of Indigenous financial literacy, inclusion and assistance programs
- Advocating for regulatory reforms that seek to address unscrupulous practices

Financial Hardship Package

The ABA in conjunction with its members, consumers and community groups has developed a package of initiatives to assist customers experiencing temporary financial hardship. This is in response to the concerns raised by stakeholders regarding existing bank practices and the general lack of customer awareness regarding the hardship assistance banks can offer. ABA research suggests that only one in four customers are aware banks can offer hardship assistance⁷².

The financial hardship package includes⁷³:

1. The industry Guideline on financial hardship, 'Promoting understanding about banks' hardship programs' as described in the previous section;

⁶⁹ Cameron, P 2014, *Relationship problems and money: women talk about financial abuse*, http://www.wire.org.au/wp-content/uploads/2014/08/WIRE-Research-Report_Relationship-Problems-and-Money-Women-talk-about-financial-abuse-August2014.pdf, p. 56.

⁷⁰ ABA, *Protecting vulnerable customers from potential financial abuse*, <http://www.bankers.asn.au/Consumers/Industry-Standards>, p. 1.

⁷¹ ABA 2007, *Indigenous Statement of Commitment*, <http://www.bankers.asn.au/Consumers/Industry-Standards>, pp. 1 & 2.

⁷² ABA 2013, *Doing it tough? Banking industry package to help those experiencing financial difficulties*, Media Release <http://www.bankers.asn.au/Media/Media-Releases/Media-Release-2013/Doing-It-Tough>.

⁷³ Ibid.

2. A revamped online website for consumers, “Doing it Tough” (outlined in the following section);
3. A consumer fact sheet on financial hardship;
4. Online industry commitment to improve access to information regarding financial hardship. This includes a website homepage button or link, that redirects customers directly to specific hardship information;
5. Standardised forms to simplify the process for financial counsellors assisting customers in hardship;
6. Individual branch commitment to promote greater awareness of hardship assistance. This includes displaying a poster, TV presentation, counter card and brochures in branches encouraging customers to ask for help; and,
7. An industry-wide commitment towards staff training to ensure an aware of responsibilities and hardship programs. This includes a minimum standard of training.

Community Collaboration

The ABA has collaborated with specialised external stakeholders in the development of industry hardship instruments to ensure content and delivery is relevant, timely and appropriate. As far back as 2006 the ABA recognised the value of partnering with community and welfare groups in developing responsible corporate behaviour⁷⁴.

Examples of the ABA collaborating with communities include:

1. Consulting with Financial Counselling Australia (FCA) to develop standardised forms that simplify processes, these include the Statement of Financial Position and Financial Counsellor Authorisation Form⁷⁵;
2. Collaborating with FCA, Consumer Action Law Centre and the Consumer Credit Legal Centre to develop an industry-wide financial hardship package⁷⁶; and,
3. Liaising with the following on the review of the Code of Banking Practice which provides additional support for vulnerable customers (Financial Ombudsman Service, Consumer Action Law Centre, Financial Counselling Australia, Consumer Credit Legal Centre, The Salvation Army, Reconciliation Australia, Brotherhood of St Laurence, Kildonan Uniting Care, Victorian Council of Social Service, Good Shepherd Microfinance and COTA Australia⁷⁷).

⁷⁴ ABA 2006, CAMAC *Discussion Paper: Corporate social responsibility*, [http://www.camac.gov.au/camac/camac.nsf/byheadline/pdfsubmissions_2/\\$file/aba_csr.pdf](http://www.camac.gov.au/camac/camac.nsf/byheadline/pdfsubmissions_2/$file/aba_csr.pdf), p. 3.

⁷⁵ ABA 2013, Doing it tough? Banking industry package to help those experiencing financial difficulties, Media Release <http://www.bankers.asn.au/Media/Media-Releases/Media-Release-2013/Doing-It-Tough>.

⁷⁶ Ibid.

⁷⁷ ABA 2013, Improved Code of Banking Practice. Media Release, <http://www.bankers.asn.au/Media/Media-Releases/Media-Release-2013/Improved-Code-of-Banking-Practice>.



Recognition of ABA's work in supporting vulnerable customers is evidenced in a recent research report by the Australian Communications Consumer Action Network and Financial Counselling Australia:

'At an industry-wide level, the approach that the banking industry has taken to improve [customer] access [to hardship program] stands out. It is the only industry to have voluntarily implemented meaningful structural changes in order to increase access'⁷⁸.

ABA and the banking industry have demonstrated industry leadership in their approach toward customers in hardship:

'In 2012, the banking industry, led by bank CEOs and coordinated by the Australian Bankers Association, made a conscious decision to improve the industry's reputation. The industry undertook a number of consultations and ultimately set up a high level stakeholder working group.

In relation to financial hardship, this has led to a number of initiatives [including] an industry guideline on hardship, a 'doing it tough' website with information about how to contact your bank if you're experiencing payment problems and financial hardship links on the home pages of all bank websites. The industry has also worked to promote the availability of basic bank accounts'⁷⁹.

Direct Customer Assistance

The ABA has created a website specifically for bank customers who are experiencing financial difficulties. This website Doing it tough?, provides customers with the following information⁸⁰:

1. A glossary of banking terms and definitions
2. Financial health check including early warning signs and tips for budgeting
3. Financial Hardship
 - Definitions of financial hardship. For the banking industry these are: late payment assistance, financial hardship (willing to pay but can't) and permanent change in financial circumstances
 - Do's and don't's for customers
 - What customers can do and what the bank can do
 - Customer rights
4. Immediate help
 - Common problems
 - Applying for hardship

⁷⁸ ACCAN & FCA 2014, *Banking, Energy, Water, Telecommunications, Hardship policies in practice: A comparative study*, https://accan.org.au/files/Reports/Comparative%20Hardship_Final.pdf, p. 21.

⁷⁹ Ibid, p. 32.

⁸⁰ ABA, Doing it tough?, <http://www.doingittough.info/>.

- Debt collection
 - Complaints
 - Contact details for support agencies
5. Web addresses and phone numbers for member banks hardship teams
6. Fact sheets
- Basic bank accounts
 - Code of Banking Practice
 - Increasing savings
 - Dealing with debt
 - Financial hardship
 - Budgeting made easy
 - Keeping credit under control
 - Minimising the cost of banking

The Affordable Banking website launched by the ABA provides information on basic bank accounts including customer eligibility, account features and a list of banks offering this product⁸¹.

The ABA has also made a commitment to improving financial literacy via its Broadening Financial Understanding program. This program aims to assist all Australians to make informed and confident decisions regarding their money and finances and is designed to complement the programs of member banks. It is comprised of⁸²:

- Materials development program for the development of 'resources that promote banking concepts and address areas of community interest and need for targeting audiences';
- Information dissemination program for the distribution of materials in collaboration with partners; and,
- Access and awareness program to increase access to financial literacy materials, programs and activities.

⁸¹ ABA 2013, Affordable Banking, <http://www.affordablebanking.info/>.

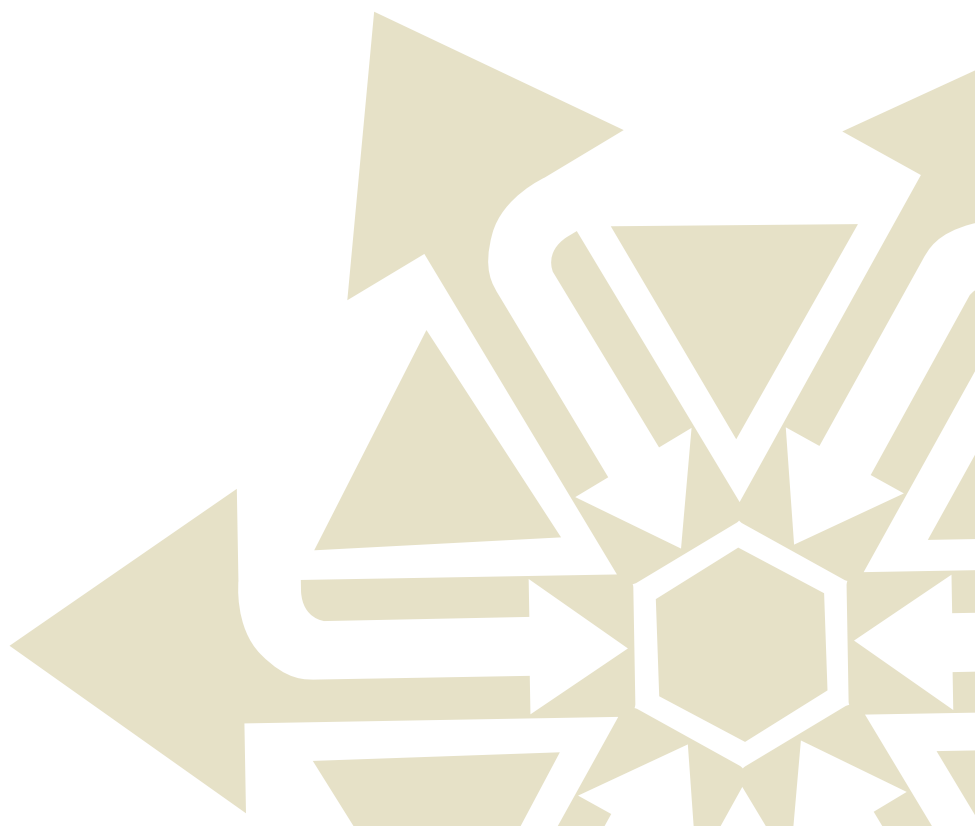
⁸² ABA, Financial Literacy Program, <http://www.bankers.asn.au/consumers/financial-literacy-program/Financial-Literacy-Home>.



Conclusion

Yarra Valley Water, Credit Corp and Australian Bankers' Association are all excellent examples of businesses which strive to deliver best practice programs and outcomes for customers in financial stress. The common element of their success is that they have designed programs that align with Better Practice Principles, including:

- **Early Intervention** – a critical tool in the prevention of debt accumulation and reduction of disconnections/restrictions;
- **Customers Focussed Conversations** – respectful and meaningful conversations between retailers and their customers that result in fair and reasonable arrangements for customers;
- **Collaborative Partnerships** – partnerships between retailers and community organisations which provide the ideal context for information exchange and innovation on resolving customer financial stress issues;
- **Measurable Outcomes** – provides retailers with the opportunity to understand what works well and what can be improved; and,
- **Financial Stress Philosophies and Policies** – essential tools for supporting vulnerable utilities customers experiencing financial stress.



As the peak non-government representative body for the health and community services sector in South Australia, the South Australian Council of Social Service (SACOSS) believes in Justice, Opportunity and Shared Wealth for all South Australians.

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