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Hardship Policies in Practice: A comparative study



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Lauren Levin and Fiona Guthrie

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Overview

Introduction and methodology

In 2012, Financial Counselling Australia (FCA) received a grant from the Australian Communications Consumer Action Network to conduct research comparing hardship practices in the banking, energy, water and telecommunications (telco) sectors.

The overarching aim of the research was to elucidate effective practices – ‘what works’ – for consumers, as observed from the vantage point of financial counsellors, and then expanded to include the perspectives of other stakeholders. More specifically, the research aimed to facilitate an ongoing dialogue between FCA, relevant consumer organisations and the telecommunications industry when assisting customers in hardship.

The research methodology comprised semi-structured interviews with experts in the financial hardship sector: financial counsellors, consumer advocates, staff from the hardship teams in telco, banking and finance, and the utility sectors, regulators, external dispute resolution (EDR) schemes and government. Three focus groups were held with consumers who have telco debts, a literature review was generated and a workshop was held to review the overall findings of the study.

Why is this research important?

Financial difficulty is often the result of a change of circumstances, such as unemployment, illness or relationship breakdown – events that can happen to anyone.

Poverty is also a major cause of financial hardship and, not surprisingly, data from the Australian Bureau of Statistics shows that the people at greatest risk of experiencing financial stress are those on low incomes. This group includes people whose main income source is social security benefits and single parent families with children. However, there are also relatively large numbers of higher income families with assets, who are also struggling with high levels of debt.

Financial difficulty is also correlated with (or may cause) other problems. It can affect physical and mental health, relationships and children. To our knowledge the costs of these associated problems have not been documented, however, they are likely to be significant.

Whatever the reason for financial difficulty, appropriate action could mean the difference between financial recovery and financial oblivion. If financial problems can be minimised or rectified, there are obvious benefits for individuals and families, as well as industry and the wider community.

Six factors that make the greatest impact on hardship policy and practice

On review of the interview data, workshop participants identified six key factors that contribute to effective hardship policy and practice. These areas are: access, early identification, sustaining good performance, attitudes and culture, the business case, and concession and grant frameworks.

Access – access to a hardship team is of benefit to consumers. However, many people in financial difficulty are either unaware of hardship assistance or sometimes find that access is blocked by ‘gatekeepers’. The banking industry has recently tackled this issue; as part of an industry-wide voluntary initiative, the home page of every bank website has information about what action to take when experiencing financial difficulty. There is also a dedicated website, as well as information in bank branches that advise on hardship practices.

Early identification – the water industry has had success in proactively identifying customers who may be in hardship, but there has been mixed success in other industries. To be successful, early identification has to be approached sensitively.

Sustaining good performance – all interviewees said that sustaining good performance is hard. A key factor is the commitment of the people in the hardship team and the leadership from the CEO and senior staff. The effectiveness of the regulatory framework also influences the extent to which companies focus on assisting customers in hardship in a meaningful way.

Attitudes and culture – critical for sustaining good performance are the attitudes and culture of the people in an organisation. Training is one mechanism to ensure appropriate attitudes. Cultural change at an industry level through the development of specific hardship frameworks has been initiated by the banking industry and is expected similarly in the telecommunications industry.

Business case – it is a widely held view that the business case for a hardship function within an organisation is cash positive, but this research only unearthed one example where one had been undertaken (Yarra Valley Water). This is an area where significantly more work could occur.

Concession and grant frameworks – participants reported that many Australians are missing out on concessions or grants that could assist them and that Australia’s concessions framework is ad hoc, inconsistent, complex, confusing and, in many cases, inadequate. A national framework with consistent eligibility, appropriate funding and online accessibility is necessary.

Other research findings

'Hardship' was a term commonly used by interviewees. It was also referred to in some legislative frameworks. However, interviewees also noted that it is not a term commonly used by customers. This is important to remember when interacting with customers. For example, individuals should not have to use the term 'hardship' to access a specific hardship team.

In essence, two competing value judgments shape the way hardship programs operate in different businesses. These are: 'people want to pay' versus 'people are out to avoid their obligations (or they're paying everyone else but us)'. These value judgments flow through in many ways, for example in the use of language (whether people experiencing hardship are 'customers' or 'debtors') and in requirements for 'proof' of financial hardship.

Financial counsellors, as well as a number of the telco focus group participants, reported that affordable payment arrangements were difficult to arrange. Some of the industry interviewees were also aware of this problem, noting that sometimes customers could be too optimistic about what they could afford. They recognised that customers may agree to an arrangement simply to terminate the call.

Incentive arrangements, which involves the business crediting a payment after a number of payments to an outstanding debt has been made, were very effective. Some energy and water retailers offer these to their hardship customers. Customers feel like their efforts are being rewarded.

Not surprisingly, interviewees said that staff training and skills were critically important. Training needs to be across a business and not just for the hardship team. Training that provides real life examples of what it means to be in financial difficulty is the most successful.

Financial counsellors said that the collections and hardship teams are typically 'worlds apart' in their approach to dealing with customers in financial difficulty. The general theme in collections is 'what can you pay and when?', whereas hardship arrangements are more flexible. All interviewees said it was vital that the collections and hardship teams worked together. Some collection departments have the tools to identify people in financial hardship and respond, for example, by linking them with Centrepay on the spot.

There is a growing consensus about the treatment of 'bulk debt' clients – those with very low incomes, no significant assets and where neither of these factors is likely to change. Interviewees recognised that from a commercial and social perspective, a debt waiver or at least a cessation of debt collection activity, is an appropriate response.

Financial counsellors noted that in their experience it is easier to get positive outcomes with some debt collectors than the original creditor. The arrangements are affordable, can be over a longer term and are generally more flexible.

Telco focus groups

The research included three focus groups with consumers who had difficulty in paying telco bills. The overall theme from the focus groups could be summarised in just one line: ‘please help us’.

Participants overwhelmingly found the experience of dealing with a telco about their debt exhausting and stressful. Many participants found it difficult to negotiate affordable repayment arrangements and said that collections staff did not listen. Participants also raised issues related to service and sales problems and overseas call centres. One focus group was comprised of new arrivals to Australia. Comparatively this group found the process of financial difficulty much harder to navigate.

Comparing industries

The research shows that there are different approaches to hardship between the banking, utility and telco sectors.

Water companies were generally seen as being the most progressive by interviewees – however we note that these comments were about Victorian and New South Wales businesses and may not apply generally. A couple of the large debt collection companies were also singled out as dealing effectively with customers in financial hardship. The banking sector stands out as having made a conscious decision, at CEO and industry level, to engage with consumer organisations. This has resulted in a number of positive initiatives as outlined above.

None of the financial counsellors interviewed considered any of the telecommunication companies to demonstrate good practice. Instead, they were viewed by the majority of financial counsellors and consumer advocates as the least effective sector for offering hardship assistance.

A final word and next steps

As the peak body for financial counsellors, FCA will, of course, continue its work in this area. In the immediate future, we look forward to the finalisation of the telecommunications industry hardship framework and to working with that industry as the framework is implemented. We are also very keen to continue to work on the areas identified by workshop participants, and outlined in Section 3 of this report. Overall, we hope that the research will prompt some new approaches as well as greater cross-industry collaboration.

We look forward to pursuing these issues, individually and collectively.

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SECTION 1 – BACKGROUND TO THE RESEARCH

1.1 Introduction

1.1.1 Purpose of the research

In 2012, Financial Counselling Australia (FCA) received a grant from the Australian Communications Consumer Action Network to conduct research comparing hardship practices in the banking, energy, water and telecommunications sectors.

The purpose of this research was two-fold. First, as a broad analysis, we wanted to find out from financial counsellors and other stakeholders what systems and processes were most effective – ‘what works’ – when it comes to assisting customers experiencing financial hardship. This topic is particularly relevant to FCA and to financial counsellors. Financial counsellors assist people in financial difficulty and have first-hand experience when it comes to hardship programs in the banks, utilities and telcos (see box for a more detailed explanation of the role of a financial counsellor). By documenting good practices in place for assisting consumers experiencing hardship, we can share this information with our colleagues in industry, the community sector, external dispute resolution (EDR) schemes, regulators and government who can apply it in their own sectors.

The second purpose of the research was to apply the broad findings about ‘what works’ to the telecommunications industry. In recent years, financial counsellors have worked closely with the banking industry to review hardship policies and practices, resulting in a number of changes. The financial counselling sector is now engaged in a similar dialogue with the telecommunications industry and this research will inform those discussions.

What does a Financial Counsellor do?

Financial counsellors help consumers in financial difficulty. They provide information, support and advocacy to help consumers deal with their immediate financial situation and minimise the risk of future financial problems. The majority of financial counsellors work in community organisations, although some are employed by government. Their services are free, confidential and independent.

A financial counsellor:

- Undertakes a thorough assessment of an individual's or family's situation, including which debts should take priority and whether debts are legally owed, if the amount owing is correct or whether the contract was fair.
- Gains an understanding of the other factors affecting the client's situation such as their health, any abuse, stability of employment, relationship circumstances.
- Identifies what options the client has in relation to their debts as well as the advantages and disadvantages of those options. Options explored will vary. Examples include: advocacy with creditors such as banks, telcos or utilities to reduce or waive debts, accessing Ombudsman schemes, negotiation of affordable repayment arrangements, information about bankruptcy and its consequences, accessing Centrelink entitlements or industry concession schemes.
- Helps people understand the credit marketplace, such as their rights under the National Credit Code to hardship variations, how the credit reporting system works, and what behaviour is acceptable from debt collectors.
- Identifies when clients may need legal advice or referrals to other services
- Provides emotional support and counselling to clients

Financial counsellors have extensive knowledge in a range of areas: consumer credit law, debt enforcement practices, the bankruptcy regime, industry hardship policies and government concession frameworks.

1.1.2 Methodology

The research involved a number of components.

1. We conducted 13 semi-structured interviews with financial counsellors and three consumer advocates.¹ This group of people have direct, day-to-day knowledge of the consumer experience in relationship to financial hardship. This reflected the emphasis in the research of elucidating what works in practice – and not just on paper.

In conducting these primary interviews, we asked the interviewees to identify organisations that they considered to be leaders or doing 'things that worked'. Interviews were then conducted with staff from a selection of those organisations. This secondary group of interviewees comprised:

¹ Consumer advocates were from Consumer Action Law Centre, Consumer Utilities Advocacy Centre, ACCAN.

- 14 staff from the hardship/collection teams in telecommunications, banking and finance, and utilities sectors;²
- Staff from two energy industry regulators: the Australian Energy Regulator and the Essential Services Commission;³
- Four staff in total from energy and water External Dispute Resolution Schemes: the Energy and Water Ombudsman NSW and the Energy and Water Ombudsman Victoria.

A list of the people interviewed is included in Appendix 1.

2. Three focus groups were conducted with telecommunications consumers.

- Group 1 was predominantly comprised of new migrants, but also included two older participants in receipt of government pensions. All of this group had experienced difficulty in paying a telco bill.
- Group 2 comprised of low income consumers. All of this group had sought the assistance of a financial counsellor and had experienced difficulty in paying a telco bill.
- Group 3 included staff working in Kildonan Uniting Care, a community-based welfare agency in Melbourne as well as university-educated volunteers in the agency. Participants in this group all had past difficulties paying or resolving telco bill issues although they possessed good communication skills and had some knowledge of consumer rights.

As noted above, the research looked broadly at hardship practices across industry sectors with the aim of assessing what can be adapted for the telecommunications industry. The inclusion of telco focus groups in the methodology provided an insight into current practices (albeit within the limitations of the focus group methodology).

3. An invitation-only workshop was held in September 2013, to discuss research findings to date. Of the attendees (around 60 people) many had participated in the research interviews. A summary of the workshop discussion was distributed to attendees. The workshop discussion was used as a framework for this report; the topics in Section 2 are key issues identified by workshop participants.
4. A literature review of global hardship practices was generated in order to capture and critically analyse good practises resulting from previous research. The review also provided an insight into how hardship practices and research have evolved over time. Short summaries of each paper are included in Appendix 3.

² National Australia Bank, ANZ, GE, Sydney Water, Yarra Valley Water, Optus, Telstra.

³ The Australian Energy Regulator has a national focus, while the Essential Services Commission is a Victorian regulator.

1.1.3 Strengths and limitations

Results arising from this study are primarily qualitative. The strength of the research is the comparative industry focus – the interviews and workshop tapped into the expertise of a wide range of stakeholders, including various industry sectors, community workers, regulators, government and EDR schemes. This facilitated a comparison of views and experiences between stakeholders. Similarly, the focus groups allowed us to understand the consumer perspective in relation to experiences with telcos.

There is a limitation of qualitative research – it does not allow rigorous comparisons between data sets. In addition, it is subject to the judgment of the interviewer. The research is specific and does not attempt to cover the entire field, for example, by analysing all banks or all energy companies. The industry, EDR and regulator interviewees were selected on the basis of ‘leads’ generated by the financial counsellor interviews. Financial counsellors gave examples of chosen organisations as using practices that led to positive client experiences.

The majority of interviewees were based in Sydney and Melbourne, although we interviewed financial counsellors from Tasmania, ACT and Queensland. All focus groups involved participants in Melbourne. Distribution of participants partly reflected where industry, EDR schemes and regulators are based. However, this was also a function of resource constraints.

1.1.4 Structure of the report

Section 1	Research background, and an analysis of the prevalence and causes of financial difficulty in the Australian population.
Section 2	An analysis of the six topics identified by workshop participants as those that make the greatest impact on hardship policy and practice.
Section 3	An outline of additional research findings.
Section 4	A discussion of the research implications, specifically for the telecommunications industry.

Throughout the report, we use information boxes to highlight ideas worth sharing and provide examples of good practice. In some places, organisation names are used, although generally the references are generic.

1.1.5 How the report can be used

Financial hardship has been the subject of numerous workshops, conference sessions and reports. There is a legitimate question about what this research study may add to the current pool of knowledge. In response to this question we provide an answer: financial hardship is a significant

problem and responses to addressing it continue to evolve. It is clear that many stakeholders are keen to improve how they operate, whether that is in responding as a company, as an EDR scheme, or contributing to the way regulation is framed and enforced. This research will contribute towards improved stakeholder operations in relation to hardship policies and practices.

Specifically, the research provides some suggestions for the telecommunications industry about how to improve hardship policies and practices. The financial counselling sector looks forward to future work with the telecommunications industry on this topic.

1.2 Why this research is relevant: Financial stress in the community

1.2.1 Causes of financial difficulty

Financial counsellors report that the most common cause of financial difficulty is a change of circumstances in a person's life: unemployment, illness or relationship breakdown. Many clients are also on very low incomes, such as the NewStart allowance and find it hard to make ends meet. Small business failure, exploitation or poor advice (i.e. from a financial planner) may also be factors that lead to financial difficulty.

Financial counsellors also note that financial difficulty can affect almost anyone – an observation reinforced by data from the Australian Bureau of Statistics (ABS) in the General Social Survey.⁴ One of the factors measured in the survey is the population prevalence of 'personal stressors'. According to the most recent survey (2009-10), over 60% of Australian adults have experienced at least one personal stressor – 23% of the adult population have experienced a serious illness, 11% have experienced a divorce or separation, 13% have experienced a mental illness, 7% have experienced a serious disability and 15% have been unable to find employment. It is important to note that some people will experience more than one stressor.

1.2.2 Who is doing it tough? ABS data

Some people can manage through a financial crisis due to the support of family and friends, or because they have a financial buffer, such as insurance or savings. They may need additional time or assistance to access support or additional resources, but can ultimately overcome any financial problems. There are, however, large groups of Australians for whom financial difficulty is ongoing. To use a vernacular Australian term – they are 'doing it tough'.

The ABS General Social Survey⁵ provides an insight into exactly which groups in Australia are most affected by financial stress. Perhaps not surprisingly, the survey shows that single parent households experience the highest levels of financial stress. For example, 41% of single parent households could not raise \$2,000 if required. This contrasted with the 11% of couple households who reported the same situation.

Although some high income households reported financial stressors, unsurprisingly, low income households in the lowest quintile had the highest amount of financial stress. A larger number of low income households reported that they had experienced cash flow problems.⁶ These problems

⁴ ABS, 4159.0 General Social Survey: Summary Results, 2010 (released 30/09/2011).

⁵ ABS, 4159.0 General Social Survey: Summary Results, 2010 (released 30/09/2011), Table 45.3 Household financial stress indicators, by selected household composition categories, proportion.

⁶ Examples in the survey were: being unable to pay electricity or gas or telephone bills on time; unable to pay mortgage or rent payments on time; unable to pay car registration or insurance on time; unable to make the

included not being able to pay a bill on time, sacrificing a meal, or not being able to heat their home. They were also more likely to have engaged in a dissaving action,⁷ such as increasing credit card debt.

Single parent families were more likely to follow a budget than couple families (58.5% compared to 49.4% respectively). However, single parent families were less able to take other 'financial resilience actions', such as regular saving, making voluntary superannuation contributions or paying more than the requisite minimum on credit card repayments.

1.2.3 Other relevant data

Other relevant data sources include research from:

- the Australian Council of Social Service (ACOSS), who estimate that 2.2 million people (12.8% of the population) live below the poverty line;⁸
- the Australian Social Inclusion Board, who estimate that 7% of people aged over 15 years (1.5 million people) live in households of high financial stress;⁹
- Dun & Bradstreet's [Consumer Credit Expectations Survey](#) showed that many low-income households (46%) anticipated difficulties managing their debt level – more than 40% of this cohort was planning on using credit cards to pay their cost of living expenses. Despite experiencing financial strain more than a quarter of households earning under \$50,000 were planning to apply for new credit or a limit increase.¹⁰ Consumer financial stress has trended strongly upward since August 2010 to the first quarter of 2014.¹¹

There are many other ways to measure financial hardship. The ACOSS notes that poverty cannot be defined with a single profile. For example, while the ABS data show that single parent families are more likely to experience financial stress than two parent families, there are numerically many more two parent families in financial stress. This is due to two parent families being more common than one parent families.

The risk of poverty can be gauged by assessing the income source of a household. People who receive a main source of income as social security benefits are approximately three times more likely to be at risk of poverty compared to the general population.¹² This statistic was calculated based on poverty being defined as 50% of the median income. When analysed by gender, women face a significantly higher risk of poverty than men – of those below the poverty line 53.8% are female and

minimum payment on a credit card; pawned or sold something, went without meals, unable to heat home, sought assistance from friends, family or welfare/community agencies

⁷ Examples include: reducing home loan repayments; drawing on savings, increasing the balance on a credit card by \$1,000 or more, taking out a personal loan, selling assets.

⁸ Australian Council of Social Service, 'Poverty in Australia', Paper No 194, 2012.

⁹ Australian Social Inclusion Board, 'Social Inclusion in Australia: How Australia is Faring', 2010.

¹⁰ Dun & Bradstreet, March 2012, 'Consumer Credit Expectations - Expectations for the June quarter 2012'

¹¹ Dun & Bradstreet, 30 October 2013, 'Financial stress stabilises near two year low', http://dnb.com.au/Header/News/Financial_stress_stabilises_near_two_year_low/indexdl_10599.aspx and 28 January 2014, 'Financial stress forecast to rise: Debt problems expected to increase in Q1'

http://dnb.com.au/Header/News/Financial_stress_forecast_to_rise/indexdl_10722.aspx

¹² Australian Council of Social Service, August 2011, '[Poverty in Australia 2012](#)', 26.

46.2% are male. This may be explained by women receiving lower wages and reduced employment opportunities, and being more likely to work in unpaid care giver roles.¹³ Immigrants from non-English speaking countries are also at greater risk of poverty than people born in Australia.¹⁴

Although individuals and families living on lower incomes are at greater risk of poverty and financial stress, those on higher incomes are not immune from financial difficulty. Research from The Australia Institute found that while low income earners were more likely to experience financial difficulty in the previous 12 months, 15% of high income households were also in this category.¹⁵

These findings are also consistent with a segmentation analysis undertaken for the Department of Families, Housing, Community Services and Indigenous Affairs based on the ANZ Survey of Adult Financial Literacy.¹⁶ This analysis divided the Australian population into five groups based on money management attitudes and behaviours.

Group 5 (12.5% of the population) was the most vulnerable to financial difficulties. Individuals and families in this group had low incomes and few assets, low financial literacy and high levels of debt. Interestingly, despite high incomes and many assets Group 1 (18.2% of the population), also struggled with high levels of debt. Although this group had above average financial literacy, they were also above average users of pawnbrokers, payday lenders and debt rescue companies.

1.2.4 Conclusion

Each year thousands of Australians want to pay their debts when they are due. Instead they find they simply do not have enough money: they want to pay, but can't. When this happens, how creditors respond can make the difference between financial recovery and financial oblivion.

The costs to communities as a result of financial stress are undoubtedly huge. Past studies demonstrate that problem debt leads to mental health problems in a range of demographics. Greater debt is correlated with an increased risk of developing mental health problems.¹⁷ To our knowledge, there has been no in-depth research that attempts to quantify these health costs, although there is some qualitative data.¹⁸ However, financial counsellors know from experience that financial problems impact detrimentally on health, relationships and families. Anything we can do that helps people to overcome financial problems and get back on their feet is a good thing.

¹³ Australian Council of Social Service, August 2011, '[Poverty in Australia 2012](#)', 15.

¹⁴ Australian Council of Social Service, August 2011, '[Poverty in Australia 2012](#)', 21.

¹⁵ The Australia Institute, *Evidence versus Emotion: How do we really make financial decisions*, December 2010.

¹⁶ Australian Government, Department of Families, Housing, Community Services and Indigenous Affairs, Occasional Paper No. 36, *Approaches to Personal Money Management: A population segmentation based on data from the ANZ Survey of Adult Financial Literacy in Australia (2008)*, The Social Research Centre and Data Analysis Australia, 2011.

¹⁷ Financial Counselling Australia, Dec 2012, 'Mental Health & Financial Health: how debt makes people sick' (unpublished). People in debt have three times the rate of common mental disorders than those who are not in debt. The level of debt per se that someone has is not as problematic as the subjective perception that individuals hold about their debt. That is whether they are worried about their debt.

¹⁸ See for example, Brackertz, N. '*I Wish I'd Known Sooner: The Impact of Financial Counselling on Debt Resolution and Personal Wellbeing*', The Salvation Army and Swinburne University of Technology (Melbourne), October 2012.

SECTION 2 – SIX AREAS THAT CAN MAKE A DIFFERENCE

In September 2013, as a component of this research study, we held a workshop – the Comparative Hardship Forum. Over 60 people attended, many of whom had been interviewed as part of the research project. Participants represented a wide range of backgrounds including: senior staff from hardship teams in the telecommunications, banking, energy and water sectors, government decision-makers, regulators, staff from EDR schemes, financial counsellors and consumer advocates. The purpose of the forum was to share findings from the research to date, to share and compare experiences and to create a framework for the final report.

One of the key outputs from the workshop was agreement on the issues or factors that would make the most difference in improving responses to hardship. Six issues were identified by the group: access, early identification, sustaining good performance, attitudes and culture, the business case and concession and grant frameworks. Consistent with the objectives of this research – to tap into the wisdom of people with relevant expertise – Section 2 further investigates these factors.

2.1 Access

2.1.1 Why this topic?

People who would benefit from hardship assistance must understand where it is to be found if their situation is not to worsen. If people are aware of assistance, they may also be more likely to seek help early, reducing later problems. This topic is also related to early identification, which is discussed in the next section.

2.1.2 Research findings

Access to a hardship team is beneficial

There was general agreement from interviewees that access to hardship programs is a critical issue. Further, every financial counsellor in attendance agreed that hardship programs were of benefit to those that accessed them even if some of the programs were more limited than others. Some interviewees explained resulting benefits by emphasising the difference in approach between collection teams and hardship teams. When a consumer's debt is being handled by staff in collections conversations, a 'when will you pay?' approach is taken. This is in contrast to the more moderate and sympathetic tone used by hardship staff. Access to the hardship program also means that progression towards debt collection and court processes are halted, providing psychological relief.

Access to hardship programs is sometimes blocked

Financial counsellors and consumer advocates raised the issue that staff in collection teams sometimes blocked access to hardship teams, either by refusing to refer customers to the hardship function or by not informing them that such a facility existed.

'I'd been with the hardship team going back three years so I knew there was a hardship team. I said "am I able to talk to someone in the hardship team?" She said no. I said "I am in hardship, who can I speak to?" She said "me". I could not get through. I ended up hanging up and went through my files, found the number and called directly. But I couldn't get past that person.'

Telco focus group, Consumer

There appears to be low community awareness about the existence of specialist hardship teams

Despite having debts they could not pay, most consumers in the telco focus groups were generally unaware of hardship teams – people cannot ask for help from a team if they do not know that it exists.

'It's something that they don't tell people. Once again it is a system put in place designed to fail, designed to not assist people when they need it.'

Telco focus group consumer

A similar problem exists in the banking industry, where their research shows that one in four bank customers do not know that banks offer hardship assistance (see box below).

Well informed consumers get better outcomes

Consumers who are aware that industry can potentially provide help are at least on the right path toward financial stability. However, those who are aware of their legal rights get better outcomes. An ombudsman interviewee explained:

'Those customers who know their rights get better outcomes. They know what they're entitled to. They can ask for URGS [utility grants] if the company doesn't suggest it or can negotiate if the company says no. They have a better negotiation power. They know the lingo and get past the call center.'

2.1.3 Good ideas

Increasing access – banking industry

'Our research tells us that only one in four bank customers know that banks offer hardship assistance. We would like to change that.' Steve Munchenberg, CEO, Australian Bankers Association, 4th June 2013.¹⁹

From the end of July 2013, all banks in Australia have included a link on the home pages of their websites leading to information about assistance during periods of financial difficulty. With one click, customers can then find phone numbers, online application forms (in many cases), information on the arrangements that may be offered, and other useful website links.

Early indications suggest that large numbers of customers are clicking on these links, however, this is not translating into more applications for hardship.

All bank branches also have material about hardship programs on display.

¹⁹ Australian Bankers Association, Media Release, 'Doing it Tough', 4th June 2013.

Increasing access – Australian Bankers Association

The ABA has set up a website focusing on information about financial difficulty:
www.doingittough.org.au

The site includes contact numbers for all bank hardship teams, as well as website links. Financial counsellors are using it to provide consumers with self-help information.

'I print it all off all the time for customers – I would just like it in a bigger font. I give that to a lot of clients. It is really important to add in the numbers customers should call.'

Financial counsellor

Some banks also have online hardship application forms.

Increasing access – EWOV publishes hardship team contact details

EWOV (The Energy and Water Ombudsman, Victoria) produces a community newspaper. The newspaper includes information about contacting the hardship teams.

'Customers don't want to go through the call centre and talk to someone who is blocking their access to the hardship team. Even having the number for Customer Service people is useful.'

EDR staff member

Increasing access – measuring referrals from call centres

Call centre staff are an important access point to hardship teams as they take the most calls from customers. However, these staff may not necessarily facilitate access to the hardship area.

To open lines of communication to the hardship function, some water companies are measuring all staff referrals and identifying individuals who are not referring. These companies follow-up with coaching and training so call centre staff comply with their referral policy.

2.1.4 Summary and implications

Access to hardship programs can be of great benefit to people in financial difficulty, but the research suggests that successful access is sporadic. Access depends on a number of factors, such as company promotion of hardship assistance and staff behaviour in the collections area.

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

2.2 Early identification

2.2.1 Why this topic?

The earlier customers experiencing financial problems are identified, the more options they have to overcome their difficulties. Later, related problems such as impacts on health and relationships, are also likely to be reduced in frequency and severity.

Identification of customers who may be experiencing hardship can be achieved in two ways. The first is to encourage self-identification. The second involves industry pro-actively contacting customers who they believe may be experiencing hardship, or are at risk of experiencing financial hardship.

2.2.2 Research findings

Early identification is important, but there are worries about “floodgates”

All interviewees, as well as workshop participants, noted that early identification of customers in hardship was important. However, there were different views regarding the extent to which early identification was both possible and practical. Some industry interviewees expressed concern about a potential flood of hardship applications.

Mixed views about proactive early identification

There were mixed views on the merits of proactive early identification by industry. The energy and water industries have had some success on this front. One water company is developing algorithms, using various parameters, to identify customers in hardship.

Early identification pilot strategies in the banking industry, however, have not been as successful. Some customers have interpreted proactive early identification calls as intrusive or as an insinuation that they are not managing their money. Interviewees from the banking industry noted that customers may not be accustomed to receiving personal calls from the bank. When it was suggested that a call be transferred from the collection function to the hardship function, one bank customer responded by saying ‘I have no intention of going bankrupt. I’m not going into hardship.’ Customers are also concerned about the impact on their credit ratings if they are part of a hardship program.

Other interviewees said that interaction with a client could be handled with sensitivity by asking, for example, ‘do you require more time to pay your bill?’ This approach had been successful.

Research shows that Victorian water customers are open to proactive contact about hardship assistance – if implemented well

The Victorian metropolitan water industry has recently released comprehensive qualitative and quantitative research data relating to customer attitudes in relation to financial hardship.²⁰ Of those surveyed, 48% ‘agreed strongly’ and 28% ‘somewhat agreed’ that they would appreciate their water supplier contacting them to offer help or support with their bill. A similar number believed their suppliers should be doing more to help people in their situation (68% agreed strongly or somewhat agreed).²¹ Overall the research emphasises that there is openness to proactive contact. A portion of customers stated that if they had a positive experience after assistance, they may prioritise the water bill over other payments.

There are three important factors to consider when making proactive offers of support:

1. The mode of contact – people prefer to be contacted in a variety of ways. A large cohort prefer email (40%), with 38% preferring mail communications (letter or brochure);
2. The tone of communications – communicating with sensitivity and respect was important as people needing help reported having to overcome feelings of shame and embarrassment. People also reported privacy fears and cultural sensitivities.
3. Understanding customer segmentation profiles – different customer segments had different preferences in relation to proactive contact and the likelihood of support options. For example 73% of the ‘vulnerable family’ segment agreed that they would like a water company to proactively contact them to offer to help, whereas only 32% of the ‘mature secure’ segment did so.

This research has resulted in some Victorian water companies conducting proactive assistance pilots that have a specific focus on assessing which communication channels work best for which customer segments. One of the banks reported taking targeted engagement further by working out how best to receive responses with *individual* customers – for example, does a specific customer respond more frequently to texts, emails or letters requesting phone contact?

Research reinforces that some customers will not self-identify

The Victorian research cited above also substantiates the existence of psychological barriers that reduce the likelihood of customer-initiated requests for help. The research shows that some customers groups – middle-aged males and those supporting families – are particularly embarrassed about experiencing financial difficulty. The ‘vulnerable family’ customer segment displayed the highest percentage (48%) for being ‘embarrassed to ask for help with paying for my water bill’.²² Given self-identification is less likely with certain customers, this research reinforces the need for appropriate proactive contact.²³

²⁰ GA Research *Supporting Vulnerable Customers Report*, July 2013, p 9. The research was on behalf of Melbourne’s four water retailers and the Smart Water Fund.

²¹ GA Research p 8.

²² GA Research, p 79.

²³ GA Research, p 67.

EDR schemes expect providers to have made an attempt to identify customers in hardship

EDR scheme interviewees from the energy and water sectors stated that they expected retailers to have offered a payment plan before moving to disconnection. In other words, there is an expectation in this industry segment that suppliers make an effort to identify customer hardship.

2.2.2 Good ideas

Proactive early identification – water company example 1

- **Identification** – The company compiles lists of vulnerable customers. This is based on a number of risk factors including: use of services, use of grants, use of Centrepay.
- **Phone Contact** – The company contacts some customers by phone, starting with those customers with the highest debts. The calls are carefully scripted, use non-threatening language and may be along the lines of: ‘Hi, we’ve noticed that your debt or water consumption is increasing. We just want to let you know that we have a whole bunch of new programs and services. Would you like a case coordinator to call you and run through them with you?’ The company reports gaining positive results with this approach. The case coordinators only speak to the people who have qualified themselves by saying ‘yes’ to a follow up call.
- **Mail Contact** – After a certain number of failed contacts customers are sent a letter offering assistance. These letters are in plain English. The company liaises constantly with the team conducting this work to ensure continuous improvement. The communications function in the business is also involved.

Proactive early Identification – water company example 2

A water company discovered that its call center was creating barriers for early identification and detection of customers in hardship. New call center staff did not know the hardship staff and, as a consequence, they were not referring. The reasons included a fear of ‘getting it wrong’ as well as how the hardship team staff might react. The hardship team now regularly introduce themselves to all new call centre staff during the induction process. They also do what they call a ‘road-trip’ every six months – the hardship team attends to a call center meeting, to remind them about what they do and to encourage referrals.

2.2.4 Summary and implications

Although there are mixed views from industry about early identification of customers in hardship, both research and practical experience in the water industry suggest that it can be a successful practice. Important factors for identification relate to how contact is made and the way in which conversations are handled.

The water industry has made the most progress in early identification via proactive contact with customers. The study did not elucidate good practices in relation to encouraging self-identification. However, it did confirm that there are some customer groups who will always be reluctant to self-identify for psychological reasons, such as feelings of shame.

2.3 Sustaining good performance

2.3.1 Why this topic?

Every organisation, whether they are part of government, the private or community sector, grapples with sustaining good performance. Once there is an effective program in place, how does an organisation make it stick? And how does the program continue to evolve, rather than languish due to staff or organisational complacency?

2.3.2 Research findings

Sustaining good practice is difficult

A common refrain in the interviews with financial counsellors, consumer advocates, and other stakeholders, was ‘company x used to be good, but they’re not anymore.’ In other words, sustaining good practice is difficult. Importantly, interviewees noted that a good reputation for assisting customers in financial difficulty lifted a company’s profile and reputation.

Factors that sustain good performance

Critical factors in sustaining performance (as noted by workshop participants) include:

- measuring the right things, including customer experiences;
- rewarding success internally within the company;
- showcasing effective (and non-effective) practices across and within industries;
- leadership;
- the effectiveness of the regulatory framework, including a baseline of regulatory requirements and performance measures. Regulators also need to enforce the rules.

The regulatory framework is a very important driver

It was clear from the interviews that the regulatory framework, including the strength and pro-activeness of the regulator, had a major impact on hardship approaches. In particular, interviewees from the banking sector were very conscious of ASIC as the regulator, the potential sanctions for breaches and the requirements imposed by credit laws. In addition, they were very aware of media attention highlighting ASIC sanctions and expressed a strong desire to not be dragged into the public spotlight. Banking industry interviewees said a negative report meant that ‘heads would roll’. The market would react negatively to sanctions such as enforceable undertakings and senior management would be concerned about reputational damage.

'With the NCCP²⁴, we don't want to be the first with a \$1.7 million complaint, so ASIC has a big impact on the way we operate. And don't want to be in the news. ASIC is very strong'.

Bank interviewee

Individuals from other industry sectors did not appear to be concerned by regulatory sanctions to the same extent, although the utilities sector interviewees were very conscious of the legislation and codes. The telco regulator and code was not raised by interviewees in this sector to anywhere near the same extent as by interviewees from other industries.

Performance drops away with a change of leadership and/or staff

When interviewees discussed companies whose performance had changed, a common theme was the loss of key staff, including those at senior levels. As one interviewee said:

'The CEO (of the energy company) was very compassionate and had the vision. Their focus then shifted to the bottom line and vertical integration. This flowed through to their hardship program ... on companies going backwards – the biggest issue is someone leaving.'

One EDR scheme interviewee presented the example of a high performing company with a solid hardship program and a visionary managing director. The program became less effective after the company underwent a major operational restructure. The ombudsmen team also noticed a deterioration in their working relationships with the company's hardship team, after the staff members on the ground disappeared in the restructure. The interviewee observed that a case management model relied on making local referrals, but energy and water retailers struggle to refer customers effectively when they operate from a centralised model.

The importance of leadership was reinforced by Sue Fraser, a financial counsellor with Kildonan UnitingCare, Victoria. Sue has worked with a number of companies on a consultancy basis helping them to improve hardship responses.

'When we have been working with industries, when they're participating, they do well. Working with vulnerable consumers it looks and sounds easy because you just talk to people, get them to pay something and they do.'

As they get less complaints and greater cash flow, it's like "we've done that now" and we can move on. When we worked with [one of the banks] they blitzed all their measurements but they've lost some of the structural program – [an energy company] too. While you have a champion things are fine, but when they move off new managers want to put their mark on it.'

[An energy company] at one stage were by far the leader. We stopped working with them six years ago. If you ask any financial counsellor, they used to be good but are shocking now. As soon as management changes, then it is lost. So we work with senior management, they take ownership internally, and don't see it as a fly by night affair. So it's not negotiable.'

²⁴ [National Consumer Credit Protection Act 2009](#). The NCCP has a broad range of remedies for breaches of civil provisions including consumer compensation. See Part 4-1, Division 1 Civil Penalty Provisions. There are also criminal provisions.

Performance can also drop away when there are structural changes

Small changes can have profound consequences and can even negate previous gains. We were informed about one energy company that had been recognised as having a standout hardship program. The company then made a structural change, diverting all callers through a triage centre. Previously customers had benefitted from direct contact with the hardship team. The triage team's role included organising the payment arrangement with the hardship team responsible for subsequent account management. This introduced a disconnection between the hardship team and the customer. There was no longer a direct relationship between hardship staff and the customer when they initially explained their situation and needs.

Regulatory measures of raw numbers are not of great assistance in making assessments about effective or non-effective performance

While industry regulators monitor company hardship performance the data can be difficult to interpret. For example, is it a good or bad result to have high numbers of people entering a hardship program? A low number in a hardship program could imply that customers are not being proactively assisted and that their financial positions are worsening as a consequence. One regulator noted:

'There is not just one measure that is valuable. We probably need to look at a cluster of indicators to show both absolute rates and trends over time. The number of people going into a hardship program doesn't mean too much.'

Indicators that reveal the effectiveness of a hardship program in the energy and water sectors may include:

- The number of disconnections (with a benchmark indicator) and the size of the debt at disconnection;
- The number of restrictions initiated in cases where the customer was a concession cardholder (well-developed programs have significantly lower rates);²⁵
- Absolute size of debts;
- Availability of alternative payment arrangements and flexible payment arrangements (such as the ability to make fortnightly payments) and incentive based schemes;
- Payment plans – the number of people meeting their commitments under the plan amounts and the numbers of unsuccessful arrangements;
- Debt arrearage indicators, which show how companies manage high arrears, when the customer is struggling to pay for current consumption. One view from some community sector interviewees is that businesses have an obligation to consider

²⁵ The ESC interviewee stated that well-developed programs had around 5% disconnections for this group, but programs that were not working well had 30-50% concession card holder disconnection rates.

debt forgiveness or have an affordable (and perhaps reduced payment plan) if they have allowed debts to accrue without acting earlier;

- Uptake of government programs (such as utility relief grants);
- Time taken to send debts to a debt collector (or alternatively, how long since the customer has paid in full);
- The average amount of hardship debts for different customer profiles – \$200 may be a huge amount to a pensioner but not that much for a family in a higher income bracket.

2.3.3 Good ideas

Regulators – audit based compliance

One regulator noted that an audit-based program, such as exists in the Victorian water industry, is preferable to a program where companies have to submit a written report for sign off by the regulator. Under the audit-based approach the company retains responsibility for performing. In contrast, some responsibility is shifted to the regulator when businesses have to submit their hardship plans to the regulator for approval.

Measuring performance

The Australian Energy Regulator publishes hardship reports every three months on its website.²⁶ The reports are clear, easy to find, and enhance transparency.

In the energy sector, some ombudsmen and energy regulators publish disconnection data on their websites. The AER does this on a company basis with actual time series data.²⁷ Others provide the information showing trends. It is useful to have more data than just the number of disconnections, e.g. the length of time people stay disconnected before reconnecting shows how long they are going without what may be an essential service.

²⁶ E.g. <http://www.aer.gov.au/node/16115>

²⁷ E.g. for NSW <http://www.aer.gov.au/node/23435>

Comparing regulation: ASIC has regulation with penalties and publicity for breaches, the ACMA takes a lighter touch

Civil monetary penalties act as deterrents. ASIC is able to seek court ordered penalties of up to \$1m for companies, while the Australian Energy Regulator can seek a maximum penalty of \$100,000 for corporations and \$20,000 for regulator infringements.²⁸ In contrast the ACMA's powers to impose penalties are more restricted.

The Telecommunications Consumer Protection code is largely premised on industry goodwill in regards to compliance. Enforcement powers are weaker than those available to other regulators.

Media attention accompanying regulatory enforcement actions may also act as a motivator to comply with the regulatory framework.²⁹

2.3.4 Summary and implications

Sustaining good performance can be difficult. The importance of leadership and a senior management committee is a key finding of this study. In addition, strong regulation also influences the way in which hardship programs are managed.

There may be value in conducting a separate research study or cross-industry collaboration that investigates the most effective way of measuring the performance of a hardship function.

²⁸ An independent review by Allens and NERA Economic Consulting of the effectiveness of the enforcement regimes operating within the national energy regulatory framework recommended that the AER penalties be increased to meet their deterrent purpose. It recommended that they be increased up to \$1m. See p. 85. The review also compared enforcement regimes/penalties of other regulators in Australia and overseas. See Nera Economics Consulting and Allens (2013)'Review of Enforcement Regimes under the National Energy Laws (the draft report), <http://www.scer.gov.au/files/2013/08/National-Energy-Laws-Enforcement-Regimes-Review-Draft-Report.pdf> [accessed 28 November 2013].

²⁹ The ASIC register of enforceable undertakings is easy to use. ASIC often issues a media release announcing an enforceable undertaking. See <http://www.asic.gov.au/euregister>

2.4 Attitudes and culture

2.4.1 Why this topic?

Attitudes toward customers in hardship underpin an organisation's response to this issue. Some stakeholders view hardship as something a consumer has to prove and justify in order to qualify for assistance (to avoid people taking advantage of the company). On the other hand, other stakeholders take the view that anyone can be vulnerable and that the large majority of people want to pay their debts.

2.4.2 Research findings

'I'm so excited about reducing the account by such a dramatic amount' ... (It makes me) want to pay this off as quickly as possible. ... You have given me so much hope today, I feel so elated, I feel like I have just walked out of a maze and I can breathe again. [I] will make sure all the bills are paid as they come up.'

Hardship assisted customer to a staff member, Sydney Water 2012

Financial counsellors report contrasting attitudes towards hardship

The financial counsellors interviewed for this research reported that many industry staff did not really understand the implications of living on pension, or a person saying 'I can't pay'. They reported examples of industry asking for payment arrangements that were beyond an individual's financial capacity. They pointed out that this was setting people up to fail – again.

One financial counsellor interviewee said that those companies that were not committed to assisting customers in hardship were more difficult to work with. He observed:

'Quite a few of the new players, including (an electricity company) have hardship programs foisted on them, and have not developed them internally. They haven't committed to them.'

Financial counsellor

Workshop participants emphasised that attitudes are shaped from the top

The first workshop point identified was that the process needs to be driven from the top. Unless the CEO and the leadership team believe that a good hardship program is important, change will not happen. Just as importantly, necessary resources for the success of the program will not be invested.

Workforce participants also pointed out that training was critical. Training needs to engage the emotions and foster empathy. For example, training should challenge participants to think about 'what would you do if you lost your job tomorrow?' The importance of language was also

highlighted. One of the smaller debt collectors, for example, has recently made what they view as a major change – moving from using the word ‘debtor’ to ‘customer’ in their business.

2.4.3 Good ideas

Training

One EDR scheme brainstorms tricky cases with staff as a way to challenge assumptions and mind-sets. They ask staff ‘do you personally have a budget?’ ‘Do you think the client should give up smoking?’ One person’s ‘want’ can be another person’s ‘need’.

Another organisation includes actual case studies and demographic data in its induction training. Participants look at income levels by geographic area and the level of welfare payments. They are required to prepare a budget based on living on a Centrelink benefit. Staff leave with various reinforcing materials, including flash ‘coaching cards’ with customer scenarios on the front and hardship solutions on the reverse. Staff are also given a booklet with statistics about the cost of rent and other cost of living statistics.

Some organisations partner with community groups to provide hardship training. This provides a practical perspective.

Industry vision

Industry bodies and industry leadership can make a difference. 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, some of which have already been referred to in this research. They include: an industry guideline on hardship, a ‘doing it tough’ website with information about how to contact your bank if you’re experiencing payment problems³⁰ 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.

The telecommunication industry is also taking an industry-wide approach. Facilitated by the TIO, the industry is in the process of developing a document called ‘Financial Hardship: Principles and Practices for Telecommunications Providers’. The purpose of the document is to enable customers experiencing financial hardship to stay connected to essential telecommunications services, while assisting them to meet their financial obligations. The framework expands and goes beyond what is required in the Telecommunications Protection Code and is a good example of self-regulation.

³⁰ www.doingittough.info

A top down approach: CEO driving company-wide attitudes

At one bank, the CEO chairs a dedicated hardship committee, which meets quarterly. At these meetings performance reports are discussed. The involvement of the CEO brings hardship 'alive within the organisation'.

Similarly, in one water company the CEO sits on a hardship steering committee that meets weekly and includes senior management from all segments of the business. The CEO writes a 'State of the Nation' internal report that is distributed through the company. The CEO also regularly refers to the hardship program in speeches and day-to-day communication. This conveys the message that looking after *all* customers is central to the business culture.

2.3.4 Summary and implications

Interviewees identified the importance of positive cultures and attitudes. However, in practice, based on the feedback from financial counsellors and the telco focus groups, this does not always translate into what consumers actually experience.

2.5 The Business case

2.5.1 Why this topic?

All organisations juggle priorities. A business case helps an organisation to choose between these priorities by outlining the rationale for investing in one particular initiative over another. It also sets benchmarks for measuring performance. While a business case usually includes a financial analysis – the so-called ‘bottom line’ – or a return on investment, it may also describe and attempt to measure other benefits (or costs) such as the impact on reputation or reduced likelihood of regulatory intervention from the proposed initiative.

Hardship functions in industry have generally been viewed as ‘cost centres’, rather than as having a positive impact on a business, either financially or in alternate ways. It is important, therefore, to research and assess if there is a business case for implementing an effective hardship function.

2.5.2 Research findings

Development of a business case was rare

The research unearthed only one example of a company that had generated a comprehensive business case that assessed the impact of their hardship policies and function. This business case was compiled by the Boston Consulting Group for Yarra Valley Water in 2006. This was a result of a partnership between Yarra Valley Water and Kildonan Child and Family Services in 2000 that aimed to develop an innovative, early intervention and prevention program in order to assist customers experiencing financial difficulty. The business case reported an overall net present value with positive cash flow from year two. The table below summarises several elements from the BCG review.

From	To
Contributing to families' financial difficulties <ul style="list-style-type: none">• Helping trigger downward debt spiral• Low self-esteem, depression	Helping restore financial stability <ul style="list-style-type: none">• Graduation to normal payment patterns• Ability to take financial control beyond water bills
Financial loss to business <ul style="list-style-type: none">• Wasted collections effort• Bad debt write-offs	Financially successful program <ul style="list-style-type: none">• NPV positive• Cash flow positive in Year 2
Public relations liability <ul style="list-style-type: none">• Agency animosity	Public relations asset <ul style="list-style-type: none">• Regulator recommendation• Prime Minister's Award

Yarra Valley Water noted that any business case needs to be updated periodically in order to respond to changes in the programs and policy. For example, metropolitan water prices recently increased by 25% and the company was concerned about weakening the bottom line. However, the company still saw merit in going through the process of producing a business case: ‘We will at least

know where we stand. We will make decisions on whether we accept losses or change how we run the program'. The company was working to reduce the costs of running the program through developing automation of some hardship processes. This plan was driven by a detailed understanding of the costs and benefits of the hardship program.

One of the banks had done a monetary analysis on the cost of servicing customer debts that had become 'delinquent'. This included costing labour, regulatory provisioning and other costs. This average costing of delinquency gave them an understanding of how much they could potentially spend in the hardship space to avoid delinquency. Another bank had looked at the business case for collections 'cure rates' – the number of debts that resolve and do not end up back in the collections process. A key indicator was how far behind the customer was in paying when they came into the collections process. The outcome clearly demonstrated the case for early identification and intervention, with 30 day late paying customers being many times more likely to 'cure' than 90 day late paying customers.

Some industry interviewees referred to specific performance measures, for example, a reduction in disputes to the Financial Ombudsman Service, but there was no other example of a stand-alone analysis.

Documenting the business case is a sensible thing to do

Many workshop participants noted that documenting the business case for the hardship function was important and that there were positive financial and non-financial returns. A greater focus on these outcomes would ensure continuing senior management support. While public sharing of data may raise commercial considerations, it may be possible to share less sensitive information or to de-identify information. For example, EDR schemes may be able to provide de-identified data for public analysis.

On the other hand, one industry interviewee described an analysis they had conducted that indicated there was not a business case for their customer group who typically had other more highly prioritised debt – in other words, that selling these debts may be a better financial outcome. Their analysis showed that only 5% of customers left the hardship function.

What should a business case include?

A business case can focus on a number of areas:

- Collections – calculating the costs of attempting to recover debt from different customer segments at different timing points;
- Hardship departments – calculating the cost of operating a hardship department and quantifying the benefits;
- Customer loyalty – most businesses know the cost of churn and acquiring new customers. Customers who have been helped appreciate this and are likely to be loyal;
- Staff retention – calculating the cost/benefits of improved morale and reducing turnover of trained staff.

The business case analysis should logically extend to include staff retention benefits, absenteeism rates and training costs. The lower the staff turnover, the lower the training costs.

'At [a debt collection company] 25% of their staff are staying longer. This is phenomenal. They are now equipping people to do what is expected of them.'

Some examples of irrational company behaviour

Prima facie, there were some examples of irrational company behaviour when a consumer's offer to pay was rejected and instead the debt was sold to a debt buyer for a lesser amount. For example, a financial counsellor provided an example of a woman who was forced to move into a refuge as a result of domestic violence. She notified her energy company of the move, but the company would not enter into a payment arrangement that would span over six weeks as it was a final bill and she was no longer their customer. The debt was instead sold to a debt collector who entered into the payment arrangement.

2.5.3 Good ideas

A model: Essential Services Commission

The Essential Services Commission (ESC) contracted a consulting group to develop a hardship business case model for the Victorian utilities sector. Using a spreadsheet template, the model allows companies to customise their business case assumptions and program costs. The ESC has offered to make the template available to companies in other sectors.

The model does not cover equally important, but less tangible benefits or costs, such as reputational impacts, staff morale and retention.

Appendix 2 has some screen shots from the template.

A long-term industry and community sector partnership: Yarra Valley Water and Kildonan UnitingCare

Since 2000, Yarra Valley Water and Kildonan have worked together to assist customers experiencing difficulties in paying their water bills. The business case analysis was generated as part of the partnership and has led to a deeper understanding of this aspect of Yarra Valley Water's business model.

Kildonan provides training for the hardship team, call centre staff and credit managers. Yarra Valley Water provides funding for a financial counselling position and refers customers for financial counselling advice as appropriate. However to maintain independence, the financial counselling position is not dedicated or tied to servicing the company.

Thirteen years post inception, Kildonan still undertakes annual reviews of the hardship function at Yarra Valley Water and the relationship has continued to prosper despite changes in senior management. Nine out of ten people in Yarra Valley Water's hardship system are reported as paying on time all the time.

2.6 Concessions and grants

2.6.1 Why this topic?

Access to concessions and grants can be an enormous help to people experiencing financial hardship. There are numerous programs available, depending on the sector, including mortgage assistance, utility relief grants and utility pensioner concessions. The benefit of a concession is its long term basis. It is an *ongoing* additional income source for recipients, so long as eligibility status is maintained. The concession allows beneficiaries to access a more affordable service than would otherwise be the case.

Utility relief grants (URGs) are larger, one-off lump sum payments that can help consumers manage or overcome any arrears. Grants are designed as a 'clean slate' tool, however, their value has eroded over time. Nevertheless, grants can still be immensely helpful to many consumers. They also help retailers deal with significant arrears and, therefore, create a pathway for people to better manage their current consumption.

2.6.2 Research findings

Australia's concession framework needs work – we need a national approach

Overall, data compiled from the workshop, interviews, and desktop research indicated that Australia's concession framework can be considerably improved.

Workshop participants described the concessions framework in Australia as *ad hoc*, inconsistent, complex, confusing and in many instances, inadequate. The group argued that a national framework with consistent eligibility, appropriate funding and online accessibility is necessary. Centrelink would be the preferred information and distribution point. A national database of available benefits relevant to all industries is also needed.

Many consumers are not accessing all of the concessions to which they are entitled

According to the financial counsellor interviewees, many clients are not receiving access to all concessions to which they are entitled. Clients either do not realise they are entitled to certain concessions, or that concessions specific to their circumstances exist (e.g. medical conditions requiring temperature control). In other cases, clients have dropped off the radar because they have not contacted the company to renew their concession status – presumably believing that the concession would continue automatically.

Most of the concessions are in the utilities space. Some are percentage based and others promise a fixed amount. Telstra has a line rental concession but no concessions for usage. In some states, pensioner status entitles consumers to receive discounts across a range of services, including a rates

discount. Therefore, concessions can be highly valuable, and consumers not receiving concessions are incurring significant monetary detriment.

The issue of eligible consumers not receiving concessions has also been investigated by The Australia Institute. They found that across only four Centrelink payments – Parenting Payment, Carer Allowance, Disability Support Pension and Bereavement Allowance – 168,000 Australians were missing out on assistance to which they were entitled. The unused benefits amounted to \$623 million.³¹ The government does not actively promote awareness of these entitlements and this was the main reason for potential beneficiaries ‘missing out’. Other problems included complex paperwork, people dropping off company systems due to a failure to renew concession status periodically, and a fear by beneficiaries of stigmatisation.

Financial counsellors and industry can all play a role in helping people access concessions and grants

Financial counsellors will often aid consumers to apply for concessions for which they may qualify. A ‘solution’ for a financial counselling client is often a patchwork of smaller fixes. For example, access to a concession and possibly a grant, a payment arrangement for debt, a moratorium for debt etc... Negotiating these different arrangements can be very time consuming.

Workshop participants also emphasised that industry has an important role to play in advising customers of the existence of concession and grant programs. It was also noted that there could be regulatory requirements to proactively check for eligibility. Interviewees confirmed that some industry frontline staff and hardship departments actively identify eligible consumers who are missing out on concessions. The energy and water ombudsmen also carry out this process of identification.

Some financial counsellors said that sometimes industry workers impede clients from getting utility grants, refusing to supply the forms due to pre-judging a person’s eligibility, when they in fact have no actual role in this assessment. Those that present to financial counsellors get assistance to pass this block.

Concessions and grants do not target all those who need assistance

Eligibility for many concessions and grants are frequently based on criteria such as holding a health care card. However, this cohort does not adequately include some groups who commonly are unable to pay their bills. The water industry’s latest research³² shows that the segment most likely to present with bill hardship is the ‘family formation’ group – households with children, who have many expenses relative to household income. This cohort is typically not eligible for concessions or grants.

³¹ The Australia Institute, May 2010, Missing Out: Unclaimed Government Assistance and Concession Benefits.

³² GA Research

2.6.2 Good ideas

A simple checklist and backdating missed concessions

The Energy and Water Ombudsman Victoria (EWOV) has a 'concessions and utility grant one-stop shop' checklist. Workers use the checklist to assess whether callers are receiving the relevant utility concessions or rebates. The list has details of concession amounts and how they are paid, how to apply and eligibility requirements.

The regulatory framework, set out in the Energy Retail Code, also requires retailers to make relevant referrals for customers who may be eligible for concessions and grants.

Victorian retailers can access the Department of Human Services (DHS) concession register and backdate missed concessions for customers for up to 12 months. Where the case is complex, EWOV will directly contact DHS by phone to verify and apply missing concession payments.

A Multi-faceted and quick response to a water debt

A financial counsellor provided an example of a client with a debt to a large water company (\$1,300 due to a leaky water supply). The financial counsellor was able to make a good assessment of the client's capacity to pay. Within 30 minutes they had organised a plumber (through Plumber Assist) and backdated missing pensioner discounts that the client had not received. The water company discounted the bill by \$600 and the client generated an affordable payment plan. This was conducted through the general company phone number rather than a financial counselling hotline.

'I saw the weight lifting off the client's shoulders.'

Online calculator with national indicative living expenses algorithms

The US Economic Policy Institute (EPI) in Massachusetts has recognised that income alone is an insufficient predictor of bill affordability, and that expenses are an important part of the equation, particularly in areas with high housing costs. It has created a tool for utility and other providers to assess what payment arrangements people on low incomes, living modestly can realistically afford.

The EPI Family Budget online Calculator takes into account the indicative housing costs per city/town and the number of children in a household. The calculator offers a high degree of geographic customisation and measures measures 'the income a family needs in order to attain a secure yet modest living standard by estimating community-specific costs of housing, food, child care, transportation, health care, other necessities, and taxes.' The underlying data is updated annually and calculated for 615 U.S. communities and six family types. Its methodology is published.

This resource is freely available for industry use. The EPI is a NFP economic think-tank. It is non-partisan and was created to broaden discussions about economic policy to include the needs of low- and middle-income workers.

See <http://www.epi.org/resources/budget/>³³

³³ For the technical explanation of the assumptions and methodology see <http://www.epi.org/publication/wp297-2013-family-budget-calculator-technical-documentation/>

SECTION 3 – OTHER FINDINGS FROM THE RESEARCH STUDY

3.1 ‘Hardship’ is not a term used by customers

‘Our [hardship] team avoid the term hardship in conversations and letters. Some of our collections operators will still use the word hardship. Financial difficulty is a better term but we haven't cracked the right term.’

Interviewee, banking industry

Financial counsellors and industry representatives emphasised that ‘hardship’ is not a term generally used by clients or customers and that some can react negatively to use of the term.

One consumer advocate argues that a better approach than using the term ‘hardship’ is to think of a ‘continuum of vulnerability’. People may experience various degrees of vulnerability and at different times. For instance, a customer diagnosed with cancer may initially be working after diagnosis and up to date with payments. In a few months, when chemotherapy starts, the customer expects to be unable to work and anticipates a struggle to keep up with financial commitments. Under an in-out model of hardship, the customer is not yet in financial hardship. They are however, most definitely vulnerable and this may be flagged early. Thus, arrangements may be implemented ahead of time. Other customers, such as those in casual employment, will be more or less vulnerable depending available work.

In some organisations, the word ‘hardship’ has a specific use. One telco categorises financial difficulty based on the cause. This telco considers ‘hardship customers’ as those whose financial difficulty is a consequence of events outside their control, such as unemployment. It uses the term ‘vulnerable customers’ for those experiencing financial difficulty that is related to the product itself, for example due to poor product fit or design.

One interviewee in an EDR scheme noted that because customers will not generally use the word ‘hardship’, it is important for staff in industry and EDR schemes to listen for language that suggests financial difficulty. A discussion about a high bill amount, for example, may be one indicator.

3.2 Different value judgments underpin approaches

'Nine times out of ten we will ask "what's changed" and they will blurt it out. We will sit on the phone for half an hour and let them talk.'

Telco hardship team interviewee

In essence, there were two contrasting mind-sets underpinning the way a hardship program was described by interviewees or operators. These were: 'people want to pay' versus 'people are out to avoid their obligations (or they're paying everyone else but us)'.

Many interviewees used language such as 'non-judgmental' and 'respect'. They reiterated the importance of listening to customers, asking the question 'what would assist you?', and the need for mutual respect. Finding the reason for hardship was less important than addressing these aspects.

In contrast, one industry interviewee said it was important to be 'tough' with people who had not paid their bills. This stance was based on previous experiences, which implied that outstanding debts would increase if they did not take this approach.

Another value judgment was apparent with one telco's approach to acknowledging hardship. The hardship department had developed a list of accepted hardship events, such as job loss or a cancer diagnosis. The list was fairly long, but if a caller's situation was not on the list of 'extreme events' then the implicit judgment was that they were not in hardship and did not qualify for assistance. This characterisation and assessment of hardship will probably tend to exclude people whose life is a constant struggle due to enduring poverty, but who have not suffered a recent 'extreme event'. The list also required that the events relate to recent changes in circumstances. Recent changes are defined as those that have taken place in the past six to twelve months. This would mean that a customer, who continues to struggle for an extended period post 'event' before requesting hardship assistance, will not qualify as their trigger event is no longer considered to be recent.

Financial counsellors suggested that a better and more respectful approach is to let customers judge their individual need for help. For some people hardship is triggered by one major event, but for others hardship is a cumulative series of events. A financial counsellor stated:

'If someone says "I've got a lot going on" does it matter what those bits are? People should not have to disclose traumatic information. We as a sector set people up for failure in a whole lot of ways. What they [customers] need to know is that they'd like you to pay when you can pay ... and that's all they need to know. Consumers need to talk about the issue and its impact briefly. They don't need to give their life story and be traumatised by having to talk about something that is very traumatic for them. An essential component is to be fair and transparent, so consumers know what to expect and can ask for what they need. Less wear and tear on works, less legals, complaints etc.'

Some telco staff interviewees were also concerned that they would be inundated and exploited, if they told customers about the existence of hardship relief. As a general observation, the existence of hardship assistance and direct phone numbers is not disclosed prominently on telco websites. Customers are instead triaged through the collections function. This contrasts with the banking industry, which has an industry-wide commitment to facilitating access to hardship assistance.

On its website it answers the FAQ 'what if I'm finding it hard to pay my bill?' with a link to a form to request a payment extension. It includes warnings that late payment fees will still apply. The online form only allows for an extension of two weeks, and has no contact details if this extension is not helpful. The language and process of getting help is intimidating and restrictive in contrast to the 'please call us, we can help' attitude of some other sectors, in particular the banking industry. The banking sector, as noted earlier, has an industry-wide commitment to facilitating access to hardship assistance and publishes information on the home page of every website.

Other manifestations of value judgments are clearly presented in policy documents. If customers are suspected of being deceitful, the language in these documents can take on an authoritative tone. The first sentence of the Financial Hardship Assistance Policy for one telco for example states 'If you are experiencing *genuine* financial hardship ...' (our emphasis). This implies that the company somehow judges the *genuine* cases from those that are false. The second paragraph states '[the telco] identifies financial hardship as a *genuine* inability to meet your financial commitments, rather than an unwillingness to do so.'

In contrast, the language used by other companies in other industries is non-judgmental and respectful. Sydney Water's web page states: 'Everyone needs essential water services. We understand that people sometimes have financial difficulties. If you're having trouble paying your bill, we can help.'³⁴ The website provides a phone number and seven links to the type of assistance available (payment arrangements, Centrepay, BillAssist etc).'

The National Australia Bank's webpage states: 'Experiencing financial difficulty? Life can be unpredictable. If you are struggling to meet your loan or credit card repayments, we can offer you more help, more often.'³⁵

³⁴ Sydney Water Financial Assistance, <http://www.sydneywater.com.au/sw/accounts-billing/paying-your-bill/financial-assistance/index.htm> [accessed November 28, 2013]

³⁵ <http://www.nab.com.au> [accessed 28 November 2013]

3.3 Affordable payment arrangements are difficult to arrange

'What is happening is just bill smoothing ... That is not hardship. It is not taking into account capacity to pay.'

Consumer advocate interviewee

'[An affordable payment plan] gives people the dignity to be able to pay - people want to pay.'

Financial counsellor interviewee

Financial counsellors, as well as a number of the telco focus group participants, noted that affordable payment arrangements were difficult to arrange. Some of the industry interviewees were also aware of this problem, noting that sometimes customers could be too optimistic about what they could afford. They recognised that customers may agree to an arrangement simply to terminate the call.

One telco consumer spoke of her difficulties in attaining an arrangement that she could afford, one that would allow her to buy food and meet her other living needs. She had to be forceful in order to negotiate an affordable arrangement – more forceful than most other consumers might be.

'I was slapped with international roaming charges. I came back home and had a \$1500 bill and nearly had a heart attack. I called and asked for a payment plan.'

The girl on the phone said, "I have no authority".

I said, "I can't pay it."

And she said "You're going to have to."

I said "This is the amount you'll have to accept each week."

She said "I have no authority."

I said "Well put me on the phone with someone who does have it. I can't buy groceries if I pay that." It was \$200 or something.

She put me on to her supervisor and they called me back, and lo and behold they said "That's fine – you can pay installments."'

Telco consumer focus group participant (4 Dec)

Financial counsellors also discussed the difficulties in assisting clients with long term problems. Short term arrangements were beneficial, but only if the client's problem was of the same duration.

Flexible payment timing was also a critical factor for some individuals. A financial counsellor said that some low-income clients managed their payments so that they synchronised with receipt of their

Centrelink benefit. However 'with some companies, you can't make fortnightly payments until you're in arrears ... it is diabolical as it sets people up to enter hardship.' Fortnightly payments will result in increased costs for industry but are a significant preventative measure for some customers in financial difficulty.

One financial counsellor stressed that payment arrangements are not necessarily suitable for every hardship case and there needs to be both flexibility and leniency.

'If someone hasn't made a payment in a long period, and are [then put on] a payment arrangement – we set people up for failure. Why do we think that they will be able to do it now? I liken it to weight loss programs – we set people up for failure with strict guidelines.'

Financial counsellor interviewee

Another problem was deducing what is 'affordable' or what is the customer's 'capacity to pay'. A consumer advocate interviewee emphasised that regulators need to articulate what practical methods are needed to solve this problem. This is important as consumers will often agree to whatever payment plan is suggested in the first instance and industry staff subsequently must assist consumers in formulating a more effective payment plan. As the financial counsellor explained: 'the client will agree as they want the power on to cook dinner.' However, unaffordable payment arrangements are not sustainable.

Why are affordable payment arrangements so important? A financial counsellor identified the ability to pay as being inextricably tied to human dignity: '[it] gives people the dignity to be able to pay – people want to pay.' This was a theme repeated by financial counsellors. We also heard from industry that an unwillingness to engage by customers is a major issue, particularly when industry staff believed the company's hardship program could help.

Good idea: Arrears Management Plans (AMPS) successfully trialled in Massachusetts US – ‘win-win-win for consumers, regulators and utility companies’

This innovative program is a combination of an incentive program and an affordable payment plan. The Massachusetts AMP programs provide relief for low-income gas and electric utility customers who have significant past debts (arrears) on their utility bills. Each time an AMP participant makes a monthly payment, the arrearage is reduced (an element of debt forgiveness) until it is completely eliminated. The AMP program has recently been evaluated and hailed as a great success by everyone, including industry and government. The benefits are that customers avoid disconnection and can obtain a fresh start by making affordable payments during the plan. Just as importantly, the customer enters into a cooperative relationship with the utility, instead of not opening mail and ceasing to make payments altogether. The positive relationship allows the company to direct the customer to concessions, financial counselling and other services.

There is evidence that the AMPs are revenue positive—customers in the plan make higher payments than if they were not in the plan and continue to make higher payments even after completing the plan. The company’s administration costs are offset by reduced collection and disconnection costs. The various companies have piloted different program lengths, and worked out the optimal period of the AMP payment-debt forgiveness plans – shorter seems to work better.

The companies are embracing the program, evidence that it seems to be a great idea. For the full story, read the report³⁶, which has a best practice guide and full review of this program.

³⁶ Charlie Harak, National Consumer Law Center, Sept 2013, ‘Helping Low-Income Utility Customers Manage Overdue Bills through Arrearage Management Programs (AMP)’

3.4 Incentive arrangements work

Many financial counsellors said that incentive payments work really well as a component of affordable payment plans. Some financial counsellors argued that these arrangements were more productive and dignified than waiving debts for some clients. The example below outlines a two to one incentive: the client makes two payments and the company credits a payment. Other companies can start as high as six to one incentives.

'I had a client with a speech impediment, four kids on a Disability Support Pension. He has health issues and came with a very large electricity account. We started negotiating with [the energy company]. He had limited capacity to increase payments in future... [the energy company] came back with a 2:1 offer. Client had difficulty believing that initially. He was ecstatic as he could see his bill coming down. He could see the third payment. He started out with a \$1300 debt and almost got it down to zero. He was happy. He had no prospect of getting it down without help. It is not always in the best interest of clients to write the debt off. They don't want to be considered hardship cases ... they want to do something about it.

The client was then able to do all the other negotiations. He is not a client now. The psychological impact was that he could see he was getting somewhere, and he was being assisted – given a hand up, not being put down. He was being rewarded for working hard to get the bill down. They went from three to one and he didn't mind as he was close to the end. Saved and got himself a solar deal, and now his bill is not an issue. This is because he got the encouragement so he started doing something proactively.'

Financial counsellor

An EDR scheme interviewee said that another client benefit from incentive programs was that no forms needed to be filled. The interviewee observed that 'incentives get the same outcome as a waiver, but positive behaviour changes mean it is better.'

Some energy and water companies offer incentive payments – they change customer behaviour

Incentive payments implemented to encourage customers with significant arrears to begin paying regularly. They are particularly useful when a customer has given up and stopped paying, possibly because their bills have become too big for them to cope. The customer makes regular affordable payments, and the company gifts/credits an equivalent payment on a regular basis. In this way, the customer is rewarded for sticking to the agreement.

Financial counsellors describe this initiative as behaviour changing and as being appreciated by customers. It has been described as an example of a program of shared responsibility that can work in the interests of both the hardship customer and the retailer.

One water company offers an incentive arrangement automatically to hardship customers who are meeting their current consumption payments as well as agreed payments for a previous debt.

One energy company quietly rewards good customer behaviour. Case managers have the discretion to offer credit incentives, matching payments or write-off incentives (up to \$2,000) when a customer does everything the energy company asks them to do. The company monitors the case managers so the company knows which staff members are making use of the incentives.

3.5 Staff training and skills are critical

There was a strong consensus between interviewees about the importance of staff training in collections, hardship teams and in EDR schemes. Training needed to be ongoing and to explain in a meaningful way what it can be like to experience financial hardship. Good practices included training about mental illness/suicide, open-ended questioning techniques, and solutions focused training. Ongoing monitoring of staff after training was also needed to ensure that the training was actually applied.

Regular opportunities for debriefing and individual coaching are also important. Some organisations had developed a close relationship with a community sector training provider and jointly developed an ongoing training program.

One company spoke of their training program that included a consumer talking about their experience.

All staff in a hardship team have tertiary qualifications in a human services discipline

Sydney Water requires its entire hardship team to have a tertiary qualification in a discipline relevant to community services, such as social work or psychology. The company deliberately avoids employing hardship team candidates that have collections or contact centre experience. There is a strong emphasis on communication skills and the ability to have difficult conversations in a respectful and sensitive way.

Hardship training

Sydney Water employs an external consultant who specialises in community service training. The training includes anecdotes from the company's hardship clients. The format is practical based, and includes generating a budget to apply for a No Interest Loan.

Participants come away with a good understanding of the actual income levels of the client base, to the implications of living on a Centrelink payment and why clients can end up in financial difficulties. Data from the Australian Bureau of Statistics are used to explain the context of hardship.

The company has developed teaching aids such as 'coaching cards' which are similar to flash cards – customer hardship scenarios are on one side, with the reverse describing appropriate assistance options. The course also includes a teaching booklet that the trainer can use as a reference. It includes relevant data on rental and living costs.

Sydney Water has also produced a 'cheat sheet' for contact centre staff in hard copy format. This contains information about relevant referral services. This means that call centre staff are not wading through multiple computer screens to find information, and are instead using a physical flip chart.

3.6 The collections and hardship functions are worlds apart

There appears to be inconsistency in the method of financial hardship assistance received depending on whether a customer contacts collections or the hardship team. The collections conversation commonly reflects a ‘what can you pay and when?’ tone, whereas hardship arrangements are more flexible.

‘The collections department’s only role is to collect money – so I never talk to them ... only the hardship department. Collection departments don’t listen – across all of the sectors.’

Financial Counsellor

Financial counsellors said that collections departments can set people up to fail and, as noted earlier, they make it hard for consumers to negotiate affordable payment arrangements:

‘Originally, she [the client] wrote her own letters, but the collections department were bullying her. The amount was unaffordable when she was on the dole. She was locked into an amount that she was going to fail at. I then put it into hardship ... They did give her hardship. She couldn’t do around \$450 month on the dole. She was eating two minute noodles and losing weight.’

One financial counsellor explained the difference for clients being in a hardship program to those remaining in collections. Being in the hardship program means:

‘Not getting harassed by collections with a script... “I want \$400 by tomorrow”. The client says “yep” and doesn’t do it. Next week the client says “I can put \$100” but it won’t make a difference to the debt with extra interest, so I will use that money for other utilities.’

If (the account) goes out from collections to the hardship program, it is a whole different story. They can grant a moratorium or payment plan – gives the client a sense of time and relief. It can work for a short relief period, and they can get themselves back on track. It doesn’t always work. We have to see what we can do long term, but not a lot around. With the floods and bush-fires there were different phone numbers, so more options.’

Financial counsellor

Even financial counsellors have experienced the difference between the hardship and collections department cultures:

‘[When we ring collections] they tend to be more aggressive ...’

Financial counsellor

Many collection departments measure the length of each call – KPIs include targets for the number of calls and the number of promises to pay. One collection department allows three and a half minutes per call and expressed frustration that staff typically only found out the true reason for non-payment around the fourth phone-call. From an external perspective it is unsurprising that a three and a half minute conversation commonly does not result in a customer disclosing difficult personal matters.

One industry interviewee said:

'Collections is good here. They used to just let people go. Just assumed people in categories couldn't pay. It is not true and not respectful to the customer in being self-sufficient. They were too soft. It wasn't the best commercial outcome for the company and industry costs jumped year on year. They now have a bunch of plans to help people early.'

Some collection departments have a host of strategies to identify people who are at risk of financial hardship. These include sophisticated customer segmentation, approaching vulnerable customers, and easier payment channels including online payments and payment modes that suit people who need to make smaller payments. Some collection departments can also link people up to Centrepay³⁷ on the spot. Industry interviewees emphasised the essential nature of collaborative work between collections and hardship teams and the importance of a good relationship between the two functions.

Small company with a combined collections and hardship team

A smaller regional water company has a combined collections and hardship team of seven staff members. The local financial counsellor reported that this setup works beautifully as the whole team meet regularly with the local financial counsellors to talk about issues and changes. They alternate between meeting at the water company and the financial counsellor's offices.

The credit management team spent a full day with financial counsellors, and with client permission, attended some sessions. These staff developed an appreciation of the fact that the clients present with multiple debts, not just with the water company. They also learned about the difficult situations and lives of some clients. The company has had financial counsellors on their consultative committee for many years and the financial counsellor reports a highly respectful relationship:

'They are people, not voices on the end of the phone.'

'They're very flexible and we want the same thing – they want their customers to pay their accounts and we want them to be out of debt.'

³⁷ Centrepay is a free bill paying facility for people in receipt of Centrelink payments.

3.7 A growing consensus about ‘bulk debt’ clients

As evidenced in the interviews, there is an emerging consensus pertaining to the treatment of ‘bulk debt clients’. The term ‘bulk debt’ refers to the bulk debt project set up originally by West Heidelberg Community Legal Service and later including Legal Aid New South Wales and Victoria Legal Aid.

Bulk debt clients are a very specific category of customer – those who are on very low incomes, with no assets and where neither of those factors is likely to change in the longer term. These customers may want to pay their debts, but simply do not have the available funds.

Interviewees recognised that from a commercial and social perspective, debt waiver – or at least ceasing debt collection activity – is an appropriate response.

3.8 Better outcomes with debt collectors

'I discretely inquire who the creditor will sell the debt to. If it is (x debt collector) I love it. They accept whatever payments the consumer can afford. Consumers get the same outcome whether or not they're with a financial counsellor. When a client says "I'm out of work and have no money" (x debt collector) says "ok we'll contact you in three months". They end up with the money the others didn't get. They get everyone to pay.'

Financial Counsellor

Financial counsellors reasoned that it is easier to get better outcomes with some debt collectors/buyers than the original company. The arrangements are affordable, can be carried over a longer period and are generally more flexible. They noted that some debt collection companies now have much better relationships with financial counsellors and consumers than in the past. This is based on listening to what clients are saying.

'Debt collectors are much better at having a smaller payment.'

Financial Counsellor

Debt collectors engaging with financial counsellors

Some debt collectors are actively engaging with financial counsellors and building relationships. They are attending national and state financial counselling conferences or interacting with financial counselling creditor liaison committees and working parties. There are mutual benefits from engaging with and learning from other sectors.

3.9 Some more good ideas

Referrals

Some Victorian utility businesses³⁸ refer customers in hardship (with customer consent) to the hardship team of an allied sector (e.g. a water provider referring to an electricity retailer). Acceptance into one hardship program qualifies the customer to enter the hardship program of the other utility. When a customer has debt with their water company, they are also likely to have problems in paying other bills. This innovative program is designed to minimise barriers to customers accessing other hardship processes, and also means that multiple companies are providing assistance.

Accessing extra money

Financial counsellors can sometimes assist their clients in finding money from other sources, for example, from Centrelink entitlements, insurance policies or workers' compensation schemes. One financial counsellor discovered that his client's father had recently died and, consequently, he was entitled to a payment under his father's superannuation policy. These potential fund sources may take time to finalise – the sooner applications are put in motion, the earlier the assistance materialises.

The Sydney Water hardship team also helps customers find money from other sources. They actively identify concessions, grants and payments that people may qualify for, and may do the administration on the spot. Their staff have regular and comprehensive training in eight key areas, so they have a really good understanding how these other services work.

Real time resolutions

Real time resolutions are possible. As noted, Sydney Water organise on-the-spot assistance in relation to concessions and credits.

EWOV's processes can include simultaneous conversations with consumers and retailers.

Westpac has a 'get it right the first time' policy. They review cases where the customer needs to return for further assistance, to see whether the right choice was made in the first place.

³⁸ 'Improving approaches to customer financial hardship', Feb 2012, Essential Services Commission, p 12 - <http://www.esc.vic.gov.au/getattachment/1e2fbeb1-bee5-4c34-a9fc-303fd0bf4f52/Summary-Business-responses-to-hardship-policies-an.pdf>

Innovative payment arrangements

In NSW, the State Debt Recovery Office calls consumers who are about to have their drivers licences cancelled due to outstanding fines. Consumers are asked to identify an affordable payment arrangement. As a result of this strategy the licence cancellation is suspended, even if the payment is only of a minimal amount.

There are also other options for consumers to 'pay off their debts' including seeking help for underlying problems. Consumers are given credits for seeing a financial counsellor, mental health worker or staff in other rehabilitation programs.

Industry forums

Some sectors are beginning to organise regular meetings to discuss hardship practices. These appear to work best when they are relatively informal and are non-competitive.

SECTION 4 – COMPARING HARDSHIP PRACTICES

4.1 Telco focus groups

4.1.1 Introduction

As outlined in the methodology, the research study included three focus groups conducted with consumers who had difficulty in paying telco bills and had attempted to work through their issues with the telco. The discussion in this paper has highlighted several key findings from these focus groups. This section provides a more in-depth analysis of the focus group data and is directly relevant to the telecommunications industry.

4.1.2 Main finding: Please help us

The take home message from the focus group data is very simple and can be summed up as – ‘please help us’. As an overwhelming theme, participants found the experience of dealing with a telco about their debt both exhausting and stressful. The conversation below is from focus group 2 (low income group).

S: I can't sleep when I have something hanging over my head. It's only when I've got a payment plan set in place that I can relax.

E: I just like taking action, getting a payment plan, then I feel a little more ok but it still hangs over your head.

L: I don't think we realise how much it affects us until someone helps us and then you feel a huge weight.

E: You feel alone – people don't like talking about finances.

L: Yes it's embarrassing.

S: I broke down to my mother for the first time and told her what was going on. People see you as reasonably high functioning and it's not that you're trying to hide anything – you're trying to still cope in the real world, present yourself in a manner that doesn't affect your self-esteem. It's fear. I've got extremely high blood pressure now. I'm not sleeping.

4.1.3 Hardship arrangements

Many focus group participants found it difficult to negotiate effective, affordable repayment arrangements.

'I always ring and ask for an extension and they give you a three, four week extension. But the system doesn't register the extension ... and they cut me off three times in the four week extension that I had.'

Participant in focus group 1

'I said, "Am I able to talk to someone in the hardship team?" She said "No".' I said "I want to". She said "You'll talk to me".'

Participant in focus group 2

'It was \$700 once. I said, "Can I pay it off in instalments?" They said, "No we're going to cut off your line and you'll lose your number and you'll still have to pay your plan." I said "If I can't use it, what's that then?" They said "well, just pay the \$700." But I said I can't. I said, "Just do what you want. It's still in arrears – it's with the debt collectors."'

Participant in focus group 2

'It seems like there is a scale of how far you can push them. It's not fair that I could get the whole thing waived [sic] as I know what to say, and others can't.'

Participant in focus group 3

On the other hand, people who felt they had been treated well when experiencing financial hardship, reported significant loyalty to those organisations that had assisted them.

'I've dealt with them (water company) too and immediately the stress lifts off and then you feel committed to paying it. You make a commitment and you're happy to follow through with it.'

Participant in focus group 2

4.1.4 Collections staff are not listening

Financial counsellors and consumers in the telco focus groups had observed that staff in collections (in all industries) neither listened to cases well, nor remembered what had been previously discussed. Both groups also referred to instances of inappropriate responses:

'You think all your information is up there. They go, "There's nothing on the screen". [I ask] "Can you see that there's been any communication?" ... They go "Oh yes I can see you were communicating but there is nothing on the screen."'

Telco focus group consumer

I was getting angry the other day. I said "You should be able to see it on your system because I remember the last time I spoke, it should be up there." She paused – if it was on there she wouldn't have had to delay.'

Telco focus group consumer

4.1.5 Service and sales problems

Apart from issues relating to difficulty in creating hardship arrangements, many participants reported technical problems with the sales process or service issues. These included: difficulties transferring contracts, actual plans not matching what the consumer promised orally during the sales process, confusing plans, unexpectedly high bills, services that failed to work, incorrect bills,

high international roaming charges, and difficulties in arranging disconnections. It took an extended period to rectify the problems – this was a common theme among participants.

4.1.6 Access to telecommunications is important

Focus group participants noted that access to telecommunication services is very important. Disconnection created lifestyle problems, including difficulties in communicating with doctors, the job network, friends and family.

4.1.7 Low awareness of EDR

The majority of telco focus group consumers did not realise there was an ombudsman scheme. Those that did generally had been working with a financial counsellor or caseworker and had used the service. Some people reported that they had to use the threat of escalating a dispute to the ombudsman in order to get a result.

In addition, one focus group participant reported that they asked the telco for information about how to contact the ombudsman. In response, the telco employee refused to provide the phone number. This person was told to look it up herself.

4.1.8 Overseas call centres

Focus group participants found overseas call centres problematic, reporting language and cultural issues. There was a lot of animosity to overseas call centre staff. Whether this was due to prejudice, discomfort with loss of jobs to overseas workers, or other factors beyond the control of the staff member, it nevertheless impacted on the consumer experience and appeared to influence how the consumer perceived their issue resolution. Accents were problematic too. Most of the consumers were passionate in expressing that their overseas call centre experience was not a positive one.

'The call centres that deal with new accounts are in Australia, but down the line, the call centres are overseas. It becomes more difficult to understand your scenario.'

Participant in focus group 3

4.1.9 Implications

While acknowledging that the three focus groups used for this research study represent a small sample of telco hardship customers, the experiences reported by consumers in those groups may be unsurprising to the telecommunications industry. The final report of the ACMA public inquiry into customer service and complaints handling, *'Reconnecting the Customer'*, reflected similar customer experiences.³⁹

³⁹ Australian Communications and Media Authority, September 2011, *Reconnecting the Customer, Final public inquiry report*, <http://www.acma.gov.au/~media/Consumer%20Interests/Report/pdf/Reconnecting%20the%20Customerfinal%20public%20inquiry%20report.PDF>.

4.2 Comparing industries

The research demonstrates that there are different approaches to hardship between the banking, utility and telco sectors.

Water companies were generally described as being the most progressive by interviewees – however we note that these comments were related to Victorian and New South Wales businesses and may not apply Australia wide. A couple of the large debt collection companies were also singled out as implementing effective payment strategies with customers in financial hardship.

The banking sector stands out as having made a conscious decision, at CEO and industry level, to engage with consumer organisations. This has resulted in a number of positive initiatives: they include a hardship guideline, information about hardship on the home page of bank websites, and a dedicated hardship website. The four largest banks also engage with financial counsellors. While it is not all ‘sweetness and light’ (as one financial counsellor described), there is a respectful, useful and ongoing dialogue.

No financial counsellor interviewees considered any of the telecommunication companies to demonstrate good practice. In fact, they were viewed by the majority of financial counsellors and consumer advocates as the poorest performing sector in regard to hardship practices. While there were examples of good client outcomes, this was typically after clients had already tried and failed at attaining hardship assistance.

The research also uncovered a large degree of variability in the size of the hardship teams from different industries. In the four largest banks, hardship teams vary from between 60 to 105 staff. The largest hardship team in a telco comprised of 14 staff. This is a significant contrast and is not easily explained by inherent differences between industries or customer numbers.

4.3 Drawing the research together

The purpose of the study was to elucidate ‘what works’ when assisting customers in financial hardship. The research also endeavoured to pinpoint what strategies can be applied across industries and specifically, telecommunications. What was evident from the study is the prevalence of certain topics that focus on the importance of ‘access’ and ‘attitudes’. The study also extracted several examples that showcase what is working in the hardship sector.

We have extracted what we view as key learnings relating to effective hardship programs.

- The foundation for a successful hardship program is the attitudes and values of the people in the organisation. Companies that effectively help people overcome financial difficulty start from the mind-set that people want to pay. This is an absolutely fundamental point – organisational values, whether written or unwritten, will shape the way consumers are treated and influence the company’s structures.
- Just as importantly, and linked to values, will be the commitment from senior management to the hardship program. Ultimately, sustaining a successful hardship program will depend on the commitment and leadership from senior management and hardship team staff. From this commitment, for example, would flow resources.
- Moving from the philosophical underpinnings, the next elements of an effective hardship program concern systems and processes. The first point is access – as one interviewee said ‘you can’t ask for help, if you don’t know it exists’. Good hardship programs are promoted and people are encouraged to ask for help. In these cases, staff in collections are trained to identify when customers require more flexible arrangements and will make the necessary referrals.
- Early identification of people in financial difficulty is possible, but must be undertaken with sensitivity and by using appropriate channels. There are some hardship groups that find it very difficult to contact a supplier or creditor and admit they are struggling. This may be due to feelings of shame, fear, stress or uncertainty. Early identification is particularly important for this group.
- Hardship programs operate within a regulatory framework. One interesting finding from the research was the importance placed on frameworks as influencers of behaviour. In other words, stronger regulation (and a stronger regulator) makes a difference.
- However, self-regulatory initiatives can also play a significant part in shaping the way an industry responds to hardship. The initiatives from the banking sector are a good example.
- One change that could make a major positive impact for consumers struggling to overcome financial difficulty, would be the acceptance of more affordable payment plans by industry. A key theme from this research was that people want

to pay, but are set up to fail if a payment plan is unrealistic. A related lesson is the value of incentive schemes. They work well in the water industry in particular – why not in banking or telcos?⁴⁰

- Huge gains can also be made by better training of staff both in hardship teams and in collections. Ideally collections and hardship teams would not be ‘worlds apart’.

⁴⁰ Although we understand one telco is offering these.

4.4 A final word and what happens next

Some of findings from this research will not surprise stakeholders who have been involved in this field for some time – but it is useful to confirm general knowledge and reinforce good practices. Other results or ideas arising from the study may, however, come as a surprise to stakeholders. Overall, we hope that the research findings will prompt the implementation of new approaches as well as encourage greater cross-industry collaboration.

Over the last decade, industry, consumer, government and EDR stakeholders, have been involved in numerous discussions relating to providing assistance for customers in hardship. It is clear that policies and practices have improved and in many instances, there is an improved understanding of both the causes of financial difficulty and appropriate responses. However, the introduction of new and improved methods of addressing this issue is always possible. It is absolutely critical that we remain open to these possibilities and continue the dialogue.

We have noticed a huge amount of goodwill from key people working in the hardship area from industry, regulators, ombudsmen and community sector professionals. The people working in this area want to make a difference. They're happy to share their knowledge gained from the projects and approaches that they have trialled. In some cases, it is knowledge about what doesn't work, which is just as valuable as 'what works'. They are keen to have other interested people in the space to meet with and compare notes. There is a huge amount of interest and generosity. Let's harness that.

As the peak body for financial counsellors, FCA will continue its work in this area. In the immediate future, we look forward to the finalisation of the telco industry hardship framework and to working with that industry as the framework is implemented. We are also very keen to continue to investigate areas identified by workshop participants, and as outlined in Section 2 of this paper. The summary of the workshop, distributed separately to participants in October 2013, included a number of suggested actions for stakeholders as well as the group's response to the workshop question 'what can each of our sectors do?' These actions are included in the box below. We look forward to pursuing these steps, individually and collectively.

What workshop participants said they could do

For the final session of the workshop, we gathered in our sector groupings to discuss what each sector could do to progress the discussion.

- Financial counsellors— we can work with industry and EDR schemes on joint approaches to government regarding some of these issues, e.g. a concession framework. Our collective voice could have a significant impact.
- Banks—bank websites could include information about the existence of hardship programs in other industries eg. Telcos, utilities.
- EDR—can share their experiences to improve education and attitudes and can assist in developing the business case.
- Telcos—we need to include more service providers in conversations like these (including the smaller companies) and to finalise the telco financial hardship framework.
- Regulators—we can improve our monitoring, reporting, and enforcement activities. We can initiate reviews and research, both industry-wide and with a comparative focus. We could also support future forums that would encourage collaborative learning. We can help consumers know what help is available across industries by raising awareness.
- Utilities—can work on improved sharing of information and ideas.
- Consumer advocates—can conduct cross-industry education, eg. Educate utilities about bank hardship practices and vice versa and champion an integrated service delivery model.

What FCA committed to do after the workshop

- **Access**—we will add appropriate links and information to the FCA website as well as the consumer website we manage: www.debtsselfhelp.org.au
- **Early identification**—we will include examples of successful early identification strategies in the research paper. We will talk to peak industry bodies and regulators to explore whether more guidance could be provided.
- **Sustaining good performance**—we will include examples of (mainly de-identified) effective and non-effective hardship practices in the final research report. We will consider organising a cross-industry discussion, with regulators, focussing on what needs to be measured, bringing in those people who have expertise in this area.
- **Attitudes and culture**—this is a harder area to suggest a direct action. FCA’s research report will help continue the conversations and we hope shape responses. One idea we are keen to explore is taking senior industry and regulatory staff to meet and talk to vulnerable consumers at first hand.
- **Making the business case**—we will ask workshop participants for any information they have (possibly de-identified) about the impact of hardship policies, collate this data and share it with this group. If there is participant support, FCA could also organise a forum and invite participants to share their business cases
- **Grants and concessions**—the issue of a concessions framework for utilities has been raised in other forums in recent months. We will contact ACROSS and industry bodies to explore the potential for a joint approach to government.

APPENDIX 1 – PEOPLE INTERVIEWED

Name	Organisation
Financial Counsellors	
Graham Shakespeare	Salvation Army, Sydney (inner West)
Jim Connolly	Salvation Army, Sydney (inner Sydney)
Lyn Brailey	Salvation Army, Sydney (inner Sydney)
Phil Powell	Anglicare, Tasmania
Mark Phillips	Uniting Care Community, Queensland ⁴¹
Rene Ploegmakers	Diversitat, Victoria (urban/regional)
John Mumford	ORGANISATION, Victoria (rural)
Ian Liddell	ORGANISATION, Victoria (rural)
Rachael Milfull	CARE Financial Counselling Service, ACT
Jocelyn McMillan	Diversitat, Victoria (urban/regional)
Anna Dooland	Good Shepherd Youth and Family Services, Victoria ⁴²
Shirley Walker	City of Yarra, Victoria (inner Melb)
Sue Fraser	Kildonan UnitingCare, Victoria
Consumer Advocates	
Jo Benvenuti	Consumer Utilities Advocacy Centre (CUAC)
Gerard Brody	Consumer Action Law Centre (CALC)
Una Lawrence	Australian Communications Consumer Action Network (ACCAN)
Industry Representatives	
Caroline Del Ioio	National Australia Bank ⁴³
Norm Kalcovski	National Australia Bank
Marco Kohne	ANZ
Christina Vergos	Optus
Beverley Faurie	Optus
Sally Forde	Telstra
Tyrone Kondis	Telstra
Robert Morsillo	Telstra

⁴¹ At the time of the interview.

⁴² At the time of the interview.

⁴³ At the time of the interview.

Matthew Quanchi	Telstra
Ciara Sterling	Yarra Valley Water
Kerry Edgecombe	Sydney Water
Stephen Blyth	GE Money
EDR Schemes	
Amber Cassidy	Energy & Water Ombudsman Victoria (EWOV)
Belinda Sandilands	Energy & Water Ombudsman Victoria (EWOV)
Linda Brown	Energy & Water Ombudsman NSW (EWON)
Emma Keene	Energy & Water Ombudsman NSW (EWON)
Regulators and Government	
Sarah Proudfoot	Australian Energy Regulator
Marcus Crudden	Essential Services Commission

APPENDIX 2 – EXCERPTS FROM THE ESC BUSINESS CASE TEMPLATE

The following screen capture from the ESC model show the assumptions and data input page. The model allows for a 10 year forecast. Note the numbers input are for illustration purposes only.

D15							
A	B	C	D	E	F	G	H
Financial Assumptions							
1	Real post-tax WACC	Unit %	5.20%				
Data input and assumptions - business specific							
2	First calendar year to be modelled (a)		2012	Year no. 1	2		
3	Number of customers in hardship		100	Financial year	2012-13	2013-14	2014-15
4	Existing number of customers participating in a hardship program	No.			100	100	
5	Number of customers newly identified as in hardship and accepted into a hardship program each year	No.					
6	% of hardship customers who 'graduate' from hardship program each year to resume paying bills in full	%	85%				
7	Number of years that customers participate in program before graduating	Years	2.0				
8	Number of customers graduating from hardship program each year to resume paying bills in full (b)				43	43	
9	Total number of customers on hardship program				100	158	215
Benefit assumptions							
10	Average cost of undertaking debt collection proceedings per customer (including legal and restriction costs)	\$/customer	\$250				
11	Average fortnightly payment plan under hardship program	\$/fortnight	\$20				
12	Average annual water bill (gross, before concessions)	\$/year	\$550				
13	Average payment received under Utility Relief Grant Scheme	\$/year	\$250				
Cost assumptions: design, implement and manage hardship program							
14	Debt waiver						
15	% of newly identified hardship customers who receive debt waiver from retailer	%	40%				
16	Average % of debt waived by retailer (where a waiver is granted)	%	50%				
17	Average outstanding debt owed by newly identified hardship customers	\$/customer	\$350				
Customer support team - labour costs							
18	No. of staff working on hardship program	No.			4	4	
19	Average hours per fortnight spent on hardship program per staff member	No.			28	28	
20	Average hourly wage	\$/hour			\$30	\$30	
Training of hardship program staff (initial and refresher/ongoing)							
21	No. of staff trained	No.			5	5	
22	No. of hours training per staff member	No.			35	10	
23	Average hourly wage	\$/hour			\$30	\$30	
24	Expenditure on training provision	\$/year			\$3,000	\$1,000	\$3
Smart Homes Water Audits							

This screen capture shows a sample cost benefit analysis over a 10 year period. The model also generates graphs of analysis data (not shown).

Home Layout Tables Charts SmartArt Formulas Data Review									
Font Arial 10 Bold Italic Underline									
Number Currency									
Normal Bad Neutral Calculation									
I32 ='Key Assumptions & Data Inputs'!I55									
A B C D E F G H I J K L									
Hardship Review - Economic Business Case Modelling									
Business: example									
Year no.	1	2	3	4	5	6	7	8	9
Financial year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Benefits (real \$)									
Reduction of expenditure on debt collection (a)	\$21,250	\$21,250	\$31,875	\$31,875	\$42,500	\$42,500	\$42,500	\$42,500	\$42,500
Payment of bills while on hardship program (b)	\$41,769	\$37,018	\$74,236	\$61,494	\$110,721	\$129,948	\$137,304	\$137,304	\$137,304
Payment of bills after graduating from hardship program (c)	\$8,766	\$17,531	\$26,297	\$35,063	\$43,828	\$52,594	\$61,359	\$61,359	\$61,359
Payments received under Utility Relief Grant Scheme (d)	\$12,000	\$12,000	\$12,000	\$14,000	\$14,000	\$15,000	\$15,000	\$15,000	\$15,000
Total benefits	\$83,785	\$107,799	\$144,428	\$172,432	\$211,049	\$240,042	\$256,763	\$256,763	\$256,763
Costs (real \$)									
Foregone customer payments due to debt waiver (e)	\$7,000	\$7,000	\$10,500	\$10,500	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000
Training of hardship program staff (f)	\$8,250	\$2,500	\$8,250	\$2,500	\$8,250	\$2,500	\$8,250	\$2,500	\$8,250
Site visits (g)	\$2,000	\$2,000	\$3,000	\$3,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Customer support team - labour costs (h)	\$87,360	\$87,360	\$87,360	\$87,360	\$87,360	\$87,360	\$87,360	\$87,360	\$87,360
Hardship program information development and dissemination	\$3,400	\$5,880	\$9,680	\$9,680	\$9,680	\$9,680	\$9,680	\$9,680	\$9,680
Design and ongoing development of hardship program	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
IT system changes directly related to the hardship program	\$10,000	\$0	\$0	\$0	\$1,000	\$0	\$0	\$0	\$0
Hardship program information brochures (printing, development etc)	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Funding of third parties, directly related to hardship program	\$0	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Utility Relief Grant Scheme (i)	\$3,840	\$3,840	\$3,840	\$4,480	\$4,480	\$4,800	\$4,800	\$4,800	\$4,800
Water efficiency programs eg Smart Homes Water Audit (j)	\$320	\$640	\$960	\$960	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280
Total costs	\$128,170	\$125,020	\$139,590	\$134,480	\$146,050	\$139,620	\$145,370	\$145,370	\$145,370
Net benefits	-\$44,385	-\$17,221	\$4,838	\$37,952	\$64,999	\$100,422	\$111,393	\$111,393	\$111,393

APPENDIX 3 – SUMMARY OF THE LITERATURE REVIEW

This section highlights specific reports, articles and websites that provide interesting insights into innovations and approaches to hardship programs in Australia and North America. The American programs generally extend beyond what is offered in Australia and demonstrate other ways of approaching customer financial difficulty situations.

Reports and articles

Applied Public Policy Research Institute for Study and Evaluation (APPRISE), October 2006, [PECO Energy Customer Assistance Program for Customers Below 50 Percent of Poverty – Final Evaluation Report](#).

This report is an evaluation of Pennsylvania’s Public Utility Commission’s universal service program. Not-for-profit agencies are part of the service delivery model. They register consumers for access and are remunerated for their services. These agencies also have limited access to energy company payment databases to provide informed advice and ensure seamless registration. The report gives a good insight into a state mandated USP program. Note that the USP obligation in the US is for both utilities and telecommunications.

Australian Bankers Association, 2013, [Industry Guidelines: Promoting understanding about banks’ financial hardship programs](#).

The ABA outlines its members’ new (2013) approach to financial hardship. The aim is to provide guidance to banks on how to meet, and in some cases exceed, existing legal obligations and industry standards.

Australian Council of Social Service, August 2011, *Poverty in Australia 2012*.

This report examines poverty in Australia according to different indicators. It is useful in understanding the different ways poverty manifests.

Australian Securities & Investment Commission & Consumer Affairs Victoria, May 2009, [Helping home borrowers in financial hardship](#).

This report examines the processes and procedures that lenders and brokers implement to deal with borrowers experiencing difficulties in meeting the repayments on their mortgage. The report indicates a wide range of variability between programs and includes guidance for improving approaches.

Jennifer Borrell, November 2012, Report on Kildonan’s Hardship Forum, *Keeping Ahead of the Game: Responding to Changing Environments*.

Kildonan has been invited into a range of businesses to consult on approaches to hardship. This report brings together themes from a 2012 Hardship Forum where many of these companies shared their experiences. The approach talks about how important it is to become a ‘learning organisation’ in the context of collaborative relationships – this involves having new conversations, information sharing, and collective planning. Another aspect is

developing a big enough range of responses for the organisation's hardship toolkit to deal with the diverse needs of the community being serviced. It also discusses giving the staff enough 'elbow room' in their organisational roles and tasks to adapt their customer responses appropriately and, if need be, creatively. This latter approach was important at all levels of management. Finally, they recognised that it is important and valuable for there to be regular conversations about how to balance optimal profit with supporting customers.

Nancy Brockway, February 1998, [Statewide Administration of Low-Income Programs Under Energy Utility Restructuring: Opportunities and Pitfalls](#), National Consumer Law Center.

Some states in the USA have centralised the administration of utility low-income/hardship programs, rather than being managed by individual utilities. This report describes the opportunities and pitfalls. The author notes that a move to statewide programs has coincided in many states with regulatory restructuring. Utilities are not committed to these programs and may not run them effectively. The report explains that a statewide program allows for subsidies to be better targeted. Although this is not a recent article, it documents the thinking behind taking hardship programs from a company administered level to a state-wide centrally administered level. This is something novel that has not been explored to date in Australia.

Collton, Roger D, Sheehan and Colton Public Finance and General Economics, July 1994, [Public Utility Credit and Collection Activities - Establishing Standards and Applying them to Low-Income Utility Programs](#).

This report establishes a framework for analysing the cost effectiveness of debt collection in utilities. The author argues that failure to inquire as to why some people do not pay their bills, means that inappropriately severe collection techniques are imposed on some households. Involuntary disconnection should not be a technique to address temporary inability to pay utility bills. A mismatch between the debt collection method and the type of payment problem, potentially leads to less cost effective payment outcomes. The author discusses the statistical foundations behind different collection measures of performance. This article is useful for consumer advocates, industry and regulators as it discusses what measures need to be developed and reported.

Cole, Allan (not dated), Yarra Valley Water, *Assessing Hardship Issues in Credit & Collections Customer Support Programs: Why They Make Good Business & Customer Sense*.

This paper articulates the business case for Yarra Valley Water's hardship approach. It describes the key learning outcomes from the process, what structures and training it put in place, the elements of the customer support, and it outlines the main benefits from both a customer and the company viewpoint.

Connolly, C and Vaile, D, 2012, [*Drowning in Codes of Conduct: An analysis of codes of conduct applying to online activity in Australia*](#), Cyberspace Law and Policy Centre, UNSW, Sydney.

This report assesses 13 online codes of conduct against best practice criteria. The report is based on four key 'best practice guides' for the development of codes of conduct – from the ACCC, ACMA, ASIC RG 183, and the Office of the Australian Information Commissioner. Important factors include the importance of independent code monitoring, consumer representation in developing codes and code promotion/public awareness. The research found that all of the online codes had low levels of compliance with best practice. One finding is that there was a focus on scheme design for the convenience of industry instead of consumers.

Consumer Action Law Center, June 2012, *The Pursuit of the Impossible: Consumer experience with external collection of retail energy debts.*

This report provides a snapshot of consumer experiences with debt collection practices in the Victorian retail energy sector. Consumers in hardship have significant exposure to debt collection practices and the recommendations in the report are pertinent to companies seeking to implement best practice around vulnerable customers. One recommendation, for example, is 'that energy retailers not refer debts to an external collector where they are aware that the debtor's sole source of income is social security.' The rationale is that pursuing many of these customers will be a hollow exercise, and CALC recommends they should be managed in-house.

Consumer Law Center Victoria, 2006, *The implementation of residential hardship policies by Victorian water businesses: A research report.*

This was one of the early consumer reports into hardship policies in the water sector. It was informed largely by consulting with water businesses about their hardship policies and practical implementation. It called for many of the same items as this report, including regulator monitoring of hardship policies and industry reporting, proactive promotions of hardship policies, extensive multi-level training in hardship, and demand management being a primary focus of hardship policies.

Electricity Commission (NZ), 23 February 2009, [*Proposed changes to the Guideline on arrangements to assist low income and vulnerable consumers.*](#)

This guideline outlines the New Zealand Electricity Commission's expectations for electricity retailers when dealing with non-payment of accounts by low income and vulnerable consumers. The guideline was revised following the death of Mrs Muliaga, who died after her electricity dependent oxygen breathing apparatus stopped working. Mercury Energy visited her house to disconnect due to non-payment. After the contractor spoke to her and disconnected, her son tried to call an ambulance but the phone was disconnected too. The light-handed approach to regulation with voluntary codes and little oversight was clearly inadequate and the company had not followed the guidelines. Subsequent regulatory reporting was introduced, with protocols for disconnection, and the requirement to working with welfare groups.

Electricity Commission (NZ), 30 January 2008, [Retailer social agency protocol](#).

The New Zealand Electricity Commission facilitated the development of a protocol between retailers and social agencies. The protocol complements the guideline described above and focuses on consumers who are medically dependent on electricity. The protocol outlines the expectations of the parties and what actions may be undertaken jointly to assist low-income consumers. The objectives of the protocol are to reduce the number of avoidable disconnections through communication between retailers and social agencies and ensure low-income consumers have access to information and tools to assist them in managing their electricity costs.

Energy Supply Association of Australia, Deloitte, February 2013, *Improving energy concessions and hardship payments policies*.

This recent report compares energy concessions across Australia. The report recommends a percentage-based framework instead of lump sum payments and an expansion of eligibility criteria to include Family Tax Benefit A recipients to meet the need of vulnerable larger families who currently fall through the cracks. The report identifies four vulnerable groups who are not currently eligible for assistance: families with young children, single renters with low-income employment, regional customers with higher energy costs who are not connected to the energy network and who are low-income, and new home buyers with low disposable incomes after paying house costs.

Energy and Water Ombudsman NSW, June 2010, *Response to Australian Energy Regulator: Developing National Hardship Indicators*.

EWON suggests a number of potential national hardship indicators including the numbers of people entering into hardship programs, the number of people in receipt of concessions, the number of third party referrals, the number of customers denied access, the average debt on entry/exit from a hardship program, the average length of 'stay' in a hardship program, the total number of people exiting successfully or unsuccessfully for non-compliance and prior hardship customers who were disconnected and reconnected.

Essential Services Commission, 2013, [Developing an approach to measure the effects of additional hardship allowances: Staff paper](#).

In its Metropolitan Water Price Review Final Decision 2013, the ESC allowed \$5.25 million for metropolitan retailers to assist customers to manage the impact of price increases. The allowances are to go into customer programs with verifiable and reportable outputs. Businesses must report regularly on this spending. This paper discusses a possible methodology for measuring the effectiveness of these allowances. The ESC has existing financial hardship reporting criteria for Victorian energy customers. This paper also includes some useful appendices listing the gas, electricity and water hardship quantitative indicators from the ESC (water), IPART the NSW regulator, the Office of the Tasmanian Economic Regulator and the Australian Energy Regulator (gas/electricity). Table 1, page 13 has potential quantitative measures from a water industry brainstorming forum which are

being canvassed in this consultation paper. It is a good starting point for hardship indicators in the telco sector.

Essential Services Commission, September 2013, [*Developing an approach to measure the effects of additional hardship allowances: Staff paper.*](#)

In 2013 the ESC introduced an allowance of over \$5million for metropolitan water businesses to put towards measures that would help them assist their customers to manage the impact of price increases. The allowances are to go into customer programs with verifiable and reportable outputs. Businesses are expected to use the additional revenue to enhance existing hardship policies, expand programs, adopt best practice and improve associated infrastructure. The extra revenue is not intended for direct financial customer assistance. This staff paper discusses methodology to measure the effects of the allowances provided to water businesses to spend on their financial assistance and hardship programs for low income and vulnerable customers. It may be useful when identifying measurable indicators of hardship.

Essential Services Commission, May 2012, [*Hardship related guarantee service level review – Final Decision.*](#)

This paper is about a regulatory approach to setting corporate hardship standards in the Victorian water industry. Not long ago, the Victorian water industry introduced a regulatory GSL or 'guaranteed service level' hardship commitments with a \$300 payment for non-compliance. A GSL payment can be made directly to the customer or through a rebate on the customer's bill (the method of payment is at the discretion of the water business). An assessment of whether a business is liable for a GSL payment can be made by the business or, if a business and a customer cannot arrive at a mutually agreed outcome, the Energy and Water Ombudsman Victoria. This paper discusses the boundaries of the standards that underlie the related minimum service levels for customers in hardship, such as the steps a company has to take before disconnecting a customer.

Essential Services Commission, February 2012, [*Improving approaches to customer financial hardship: Summary of Business Responses to Commission Request for Information on Hardship Policies and Procedures*](#) and [*Report Selected Best Practice Approach in Financial Hardship.*](#)

These are parts of the same report. In 2010, the ESC commissioned external consultants to find out customer perspectives on their experiences with navigating through energy and water company hardship processes. The companies were each asked to provide information on their approaches and processes through answering five questions. Clearly, we are seeing the same issues and inadequacies now that were present at the time of the initial report. There is a pattern of industry having confidence that they are covering off on the essential elements and doing a reasonable job, or reporting that they are. Most things look good on paper but it is the delivery and the end impact on consumers that matters. The initial ESC commissioned report, which involved interviewing consumers, concluded that much was lacking. A lesson is that the consumer view *has* to be considered to get a full picture of the efficacy of the codes and practices.

Essential Services Commission, August 2007, [Operating Procedure Compensation for Wrongful Disconnection.](#)

Victoria has legislation providing for customers to be compensated for disconnections which are unfair, and in breach of the retailer's Energy Retail Code obligations. It was designed to strengthen compliance with the Code. There is repayment dependent on the number of days the customer was wrongly disconnected and without services. This paper sets out the procedures companies have to comply with before a disconnection can take place, and covers complaint handling and regulatory reporting. It also specifies the ombudsman's role in handling complaints and assessing whether wrongful disconnection has taken place. Assessing capacity to pay, and providing evidence that this has been done adequately is one component.

Other sectors do not have legislation designed to safeguard consumers from improper disconnection, nor that provide compensation.

Essential Services Commission, Victoria, 2006, [Energy Retailers' Financial Hardship Policies: Framework Paper.](#)

In 2006 the Commission undertook a review of all 19 Victorian water businesses' hardship policies. The review assessed whether policies and practices met the requirements of the Customer Service Code, and were working efficiently and effectively and being appropriately targeted. The review revealed that businesses' hardship policies varied in comprehensiveness and effectiveness, noting that some businesses implemented processes above the minimum requirements. The most effective policies and practices, (against the Commission's criteria) were identified as best practice for the industry. The review also resulted in changes to the Customer Service Code.

Footscray Community Legal Centre and Federation of Community Legal Centres Victoria, December 2012, [Council Debt Collection: Alternatives to suing ratepayers in hardship.](#)

This paper assesses the hardship responses of municipal councils in Victoria. The key finding is that some councils are disproportionately using the court system, and moving quickly to sue ratepayers, rather than considering other hardship options. The paper also compares council hardship obligations and practices with those in the utility sector, with councils coming out unfavorably. The paper includes a statement of Financial Hardship Principles (Appendix 3) and proposed Local Government Hardship Code of Practice (Appendix 4).

Flanagan, K, Anglicare ,2009, [Hard Times: Tasmanians in Financial Crisis.](#)

This in-depth report explores the causes of financial crisis in Tasmanian households and the drivers for people seeking assistance from emergency relief and financial counselling services. The paper considers specific indicators of hardship, the bills which present the most problems for clients and underlying issues contributing to financial crisis. The survey draws attention to the range and complexity of personal issues that underpin people's experience of financial crisis, concluding that effectively addressing these issues would be

beyond the capacity of smaller service providers. Low income was a key driver of financial crisis.

GA Research, July 2013, *Supporting Vulnerable Customers Report*.

This report was undertaken on behalf of Melbourne's four water retailers and the Smart Water Fund. The report finds that those with the greatest risk of financial vulnerability are renters followed by those with mortgages. Families with children and households without a full-time employee were also at risk. Younger customers were the most vulnerable while in contrast, older customers were less likely to experience difficulty with their water bills. The report presents a model describing a spectrum of vulnerability and considers payment and support preferences, in addition to the usual demographic indicators of risk. The report found that customers struggling with water bills had an average of six outstanding bills with other suppliers. Almost 65% of customers that were having difficulty paying their bill did not know what help was available. Forty-eight per cent commented that they would appreciate their water company contacting them to offer support with the bill – this reflected openness to proactive contact.

Gross, Ron, 1995, revised 2008, *Win-Win Alternative for Credit and Collections*.

This ground-breaking study assesses non-paying customers in the Wisconsin Public Service Company (WPSC), a large US gas and electricity utility. The research found that only 12% of customers had the money to pay their bill if threatened with disconnection. Other categories of non-paying customers were: those that could pay, but were poor at money management; poor and blame themselves; poor, angry with life; and poor but may recover. This group, 88% in total, had very limited resources to respond to a disconnection notice. While these categories of customers may change with different demographics, the need exists to understand and segment the non-payers and respond appropriately. The segmentation is based on asking: 'why they are not paying?' This report was revised in 2008 with Nancy Brockway.

Hall & Partners Open Mind, May 2011, [Customers of water and energy providers in financial hardship: a consumer perspective](#).

This research was part of the Essential Services Commission's work on hardship. Consumers were interviewed for this project. The report echoes many of the sentiments that we heard – a sense of déjà vu. The research findings: 'We would hypothesise that uptake of hardship provisions is both delayed and minimised as a result... Customers are not looking for too personal a relationship with their providers, and certainly not to be patronised. They say they want to be treated with the respect they suspect other customers receive, and not as a lesser human being for as a result of being poor, out of work etc. There is a sense that the most vulnerable cases do want a relationship that is characterised by higher degrees of empathy – and that in their desperation they expect a great deal of the utilities customer support. Anything less than strongly expressed empathy and absolute transactional tailoring to their needs is likely to be seen in disappointing terms.' (p 4-5)

Harak, Charlie, National Consumer Law Center, September 2013, *Helping low-income utility customers manage overdue bills through arrearage management programs (AMP)*.

This paper documents an innovative Massachusetts program where customers with high past debts are given a fresh start through debt forgiveness, if they meet their *current* payment charges on-time over the period of the payment plan. Payment plans may be one year or longer. The benefit of the Arrearage Management Plan (AMP) is not only the low-income customer's fresh start but that the person is linked to other support programs, such as low-income rates, concessions, demand reduction/efficiency programs and budgeting or financial counselling programs. The AMP changes the relationship that the customer has with the utility company to a positive one, avoiding the disengaged-debt spiral relationship. Instead of threats of disconnection, the customer receives a bonus for making affordable payments. Utility companies found that low-income customers on the AMP paid 67% of their bills, compared with 44% for those not on the program.

The article also discusses design issues, such as whether an AMP should be opt-in or automatic enrollment and setting the speed of the program duration. The research found that the faster the debt forgiveness, the more likely it is that the customers will complete the program. Companies were also choosing to train all customer service staff about the AMP, with specialists receiving more intensive training. All of the participating utilities removed customers who missed one to two payments, but re-instated customers who caught up before the end of the plan period. The issue as to whether people could enroll in an AMP a second time is also explored. The argument for 'yes' is that those in poverty are vulnerable and even with all the experience of the first AMP, sometimes individuals need a second chance. The counter argument was that people might build the arrears forgiveness into their payment psychology. Companies used their discretion.

Kildonan UnitingCare, March 2011, *Western Water Customer Preventative Maintenance: Customer service framework for a changing and expanding customer base*.

Western Water engaged Kildonan to reassess its hardship strategy and implementation, given emerging population, social and financial stress issues. This report assesses the practice rather than the theory of implementing an organisation-wide approach to hardship. Section 3.3 has a useful table providing an overview of all the different elements of the hardship program, including incentive plans, the audit bonus (a monetary bonus if customers agree to a home audit to reduce water usage), and an articulated and structured policy on waivers. The paper also sets out policies on interest charges, hardship assessments, the use of an internally developed assessment tool, staff training, and the wide range of payment plans and options. Alongside each item are Kildonan's comments or suggestions for improvements.

Economic Regulation Authority, August 2010, [*Financial Hardship Policy Guidelines*](#).

This document is a guide to ERAWA's codified hardship policy requirements. It covers differentiating between payment difficulties and financial hardship, minimum content of hardship guidelines, requirements of the annual review, staff training requirements, identifying and engaging with customers in financial hardship, flexible payment arrangements, engaging with consumer representatives and financial counsellors and transparency and accessibility. These Guidelines came out of a lengthy consultation process.

Office of Energy (WA), Dec 2007, *Public Issues Discussion Paper: Utilities Essential Services Hardship* (Government Utilities Essential Services Hardship Inter-Agency Working Group).

In 2007 the WA Government put together an inter-agency working group to look comprehensively at hardship, and to identify way in which utilities, welfare and government agencies could improve essential services delivery to the financially disadvantaged. Consequently in 2008, the HUGs utility grants scheme was introduced to assist with payment of overdue accounts for consumers in financial hardship and an energy efficiency program for these same consumers. Funding for financial counselling was increased across the state.

Simshauser, P, Nelson, T, June 2012, *The energy market death spiral: Rethinking customer hardship*, AGL working paper 31, AGL Applied Economic and Policy Research.

This research project combines AGL's customer energy data with demographic data. The research found that the largest group of people potentially in hardship was the 'family formation' cohort or 'working poor', rather than aged pensioners. The researchers concluded that hardship policies required re-engineering to meet the requirements of this group as they are currently receiving very little assistance.

The report notes that energy prices will continue to rise to meet the investment costs of responding to peak demand. Analysis of data such as customer 'payment speed' correlates with the WMI Consumer Confidence Index, rises in interest rates, and rising gas/electricity disconnection rates. KPMG demographer, Bernard Salt, was commissioned to examine 2.4 million household accounts together with ABS Census data. He found that 16% of households display signs of hardship, but this is one in four of the 'family formation' cohort – who spend more than any other benchmark group. Income is not a proxy for hardship as this group has more income, but it also has more household members and higher housing and living costs.

Using income per person in a household, instead of household income, shows that this group has a low income per person rate. Despite this data, government concessions and grants were not accessible to this group. One in four of these households were at risk of energy default, but they were unrepresented in the company's hardship program and over-represented in disconnections. Lump sum concessions in most states (except Victoria) meant concession payments are skewed towards smaller households who use less energy. The authors suggest linking payments to the number of persons per household and

extending eligibility to those receiving Family Tax Benefits A. This gap is considered to be the 'yawning gap' in energy policy hardship frameworks.

The article also discusses funding options for hardship policies and efficiency schemes, but unsurprisingly concludes that it is more efficient for government to fund them than corporations, as the taxation system is less regressive in obtaining contributions than a customer-based levy on consumption. The authors conclude that a levy on consumers will aggravate hardship as prices rise.

Utility Debt Spiral Study Reference Group, Committee for Melbourne, November 2004, [Utility Debt Spiral Project – Main Report](#).

This flagship 254 page report is a compilation of four reports. The project addressed the specific question of: 'Customers experiencing financial hardship, either temporary or chronic: How should energy and water providers, governments and regulators best respond?'

The project objectives included:

1. Reduce utility hardship for the financially disadvantaged
2. Production of a 'best practice' model
3. Encouragement of cross-sector partnership

Part A is a *Discussion Paper*, prepared by The Allen Consulting Group to prompt discussion among stakeholders at a Phase 2 Workshop in August 2004. The Workshop canvassed issues arising from the three research reports, and next steps to develop recommended improvements to the Victorian arrangements. Part B covered *Poverty, hardship and utilities-related financial stress in Victoria*. This report assesses existing data regarding susceptibility to experiencing hardship, and the relationship between poverty and utility stress. It was written by Peter Siminski of the Social Policy Research Centre, University of New South Wales. *Part C: Utility regulatory framework mapping* outlines the existing Victorian regulatory framework for utility debt, and draws conclusions on the characteristics of effective social and economic regulatory frameworks and policies to assist people at risk. *Part D* outlines best practices by Victorian energy and water companies in avoiding disconnection from essential services due to customers' inability to pay. The report was undertaken by the Office of the Energy and Water Ombudsman of Victoria.

Wein, Paen, Ya & Gim, Consumer Utilities Advocacy Centre, December 2011, [Victorian Aboriginal experiences of energy and water](#).

This comprehensive report looks at water and energy related hardship for Victoria's Aboriginal people. It offers practical solutions to the challenges they face. Most of the recommendations, if implemented, would provide improved outcomes for all Australians facing payment issues. The issue of lack of awareness about hardship programs and missing out on concession entitlements is raised.

Websites

These US websites are included as they showcase innovative programs in the US relating to hardship and affordability.

Assurancewireless.com, <http://www.assurancewireless.com/Public/Welcome.aspx> (accessed 8 October 2013).

Assurance Wireless is an example of a flexible and affordable US Government mobile phone program, called Lifeline Assistance Program. It is delivered by a number of providers including a mainstream telco, Virgin Mobile. The government program is supported by the federal Universal Service Fund. Currently, Assurance Wireless offers eligible customers a free mobile phone with 250 free voice minutes and 250 free texts per month, with no contracts or activation fees. The web page outlines eligibility criteria, and information on eligibility for a host of government programs. Note that some states recognise 'income' not as an absolute amount but relative to household size, which is a more refined measure than income alone. There is a table that increases the income limit depending on household size. There are a few affordable plans to choose from if customers need more minutes. The design includes flexibility and affordability.

Massresources.org, 'Utility and telephone discounts' <http://www.massresources.org/utility-discounts.html> (accessed 8 October 2013).

In Massachusetts, there is legislation requiring both utility and phone companies to offer discounted *rates* to low-income customers, however they are required to get the same level of service as customers paying the full rate. It also has information about the Lifeline – a government supported program that offers a discounted basic phone service for landline phones or a free mobile phone for customers who have gone solely down the mobile path. There are no contracts or monthly fees – it is an affordable service designed to counter social exclusion. There are a number of different calling plans. In contrast, in Australia the universal service provision only covers landlines and is more limited.

Pennsylvania Public Utility Commission, Energy Assistance Programs, http://www.puc.state.pa.us/consumer_info/electricity/energy_assistance_programs.aspx (accessed 10 October 2013).

This website describes the various utility assistance programs mandated by regulation in Pennsylvania. These programs include: bill smoothing (called budget billing); CAP or customer assistance program – a bill subsidy for low-income earners based on usage and affordability; CARES – a referral program to a professional equivalent to what we call a financial counsellor in Australia or to an emergency relief program; a low-income usage reduction program; hardship funds – funded in various ways including by donations and matched corporate funds; and facilitated access to federal emergency assistance programs. The website also has links to company evaluations and three year implementation plans.

Glossary

ABS	Australian Bureau of Statistics
ACCAN	Australian Communications Consumer Action Network
AER	Australian Energy Regulator
ACMA	Australian Communications and Media Authority
ASIC	Australian Securities and Investments Commission
EWOV	Energy and Water Ombudsman Victoria
FOS	Financial Ombudsman Service
TIO	Telecommunications Industry Ombudsman

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