

**Consumer Credit  
Legal Centre NSW**

**Annual Report  
2011 - 2012**



Consumer Credit Legal Centre acknowledges the financial support provided by the Financial Counselling Services Program administered by the NSW Department of Finance and Services (Fair Trading), the Community Legal Services Program of the State and Federal Attorney-General's Departments, and the Commonwealth Financial Counselling Program administered by the Department of Families, Housing Community Services & Indigenous Affairs for our core services. We also acknowledge project & other funding from the NSW Public Purpose Fund and Legal Aid NSW.

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Consumer Credit Legal Centre (NSW) Inc. ("CCLC") is a community legal centre specialising in financial services, particularly matters and policy issues related to consumer credit, banking and debt recovery. It is the only such Centre in NSW.

CCLC has a particular focus on issues that affect low income and disadvantaged consumers.

The goals of CCLC are:

- To assist consumers of financial services, particularly disadvantaged consumers, to effectively assert their rights and protect their legitimate interests.
- To promote consumer understanding of financial services regulation, policy and industry practice.
- To achieve redress for individual clients of the Centre.
- To promote reforms in regulation, policy and industry practice that will help create a fairer marketplace for consumers of financial services, particularly disadvantaged consumers.
- To achieve excellence in all aspects of the management and administration of a small community organisation.

In order to meet these goals, we:

- Provide information, legal advice and referral in relation to banking, credit, debt, insurance and related matters to consumers and community/welfare agencies;
- Provide ongoing casework services in relation to banking, credit and debt, insurance and related matters to consumers and community/welfare agencies. Where appropriate, this might include legal representation at Tribunal or Court hearings, and/or advocacy through industry dispute resolution schemes;
- Conduct community legal education on, and raise public awareness concerning regulation, industry practices and consumer issues in the areas of banking, credit and debt, insurance and other financial services. We also develop and disseminate CLE resources, such as kits and fact sheets, to different target groups;
- Pursue pro-consumer reforms in financial services' regulation (including self-regulation), policy and industry practice through casework, campaigns, and participation in policy development and review processes; and
- Develop and maintain the operation and management of the Centre.

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**Staff**

Coordinator	Karen Cox
Principal Solicitor	Katherine Lane
Senior Solicitor	Alexandra Kelly
Senior Solicitor	Alice Lin
Senior Solicitor	Susan Winfield
Solicitor	Elisabeth Coroneo
Solicitor	Jennifer Lewis
Solicitor	Justin Lodge
Solicitor	Genevieve Schulz
Solicitor	Claire Shidiak Khoury
Solicitor	Harshanie Sooriyabandara
Solicitor	Hann Thea
Solicitor	Joe Wasuruj
Solicitor	Burcu Yaroglu
Senior Financial Counsellor	Lynda Johns
Senior Financial Counsellor	Greg Russell
Financial Counsellor	Marie Druon
Financial Counsellor	Denise Lake
Financial Counsellor	Marianna Minhinnick
Financial Counsellor	Helen Rees
Financial Counsellor	Peter Schulz
Finance Officer	Chris Maddison
Office Manager	Nicola Sutton / Kalie Zervos
Locum Office Manager	Anthony Lane

## **CCLC would like to acknowledge our sincere thanks to the following:**

### **Practical legal training volunteers:**

Sharon Russell

Mariel Abares

Eng Hwa Trinh

Andy Lie

Joshua Kelly

Genevieve Schulz

Breshna Ebrahimi

Zahra Farahani

Angela Leung

Kim (Teener) Nguyen

### **Barristers providing pro bono advice:**

John Kelly SC

Paul Batley

Philippa Clingan

Ventry Gray

## Management Committee

Chairperson Margaret Raffan

Treasurer Matthew Simpson

Deputy Chairperson Elissa Freeman

Secretary Paul Baker

Ordinary Members John Burke

Karen Cox (Coordinator)

Amy Kilpatrick

Michael Saadat

Nicola Sutton (Staff Representative)

Thank you to Chris Maddison, Finance Officer, for her regular attendance and advice to the committee.



## Chair's Report

This year the Consumer Credit Legal Centre has provided outstanding legal and financial services in the face of significantly increased demand for assistance across most credit and debt categories, and in particular in relation to insurance problems.

The value of the CCLC has been independently assessed by way of cost benefit analysis, which found that for every dollar spent by government the Centre returned a benefit to society that is 18 times the cost. In addition, a survey of the value of the Centre to other relevant services also rated it very highly.

During this financial year, the CCLC continued to receive financial support from the NSW Department of Finance and Services (formerly NSW Fair Trading); the Department of Families, Housing, Community Services and Indigenous Affairs and the State and Federal Attorneys General. The continued support of these government departments is essential to funding the assistance provided by the CCLC to disadvantaged people suffering credit, debt and insurance problems. Once again, funds for insurance advice were provided by NSW Legal Aid and supplemented by part of our grant from the Federal Attorney General's Department. We thank all funding sources for their assistance.

The Mortgage Hardship Service, a partnership project with Legal Aid NSW was again funded until June 2012 by the Public Purpose Fund. This allowed that fundamentally important project to continue during the year, and in view of its importance to the community it is to be hoped that this will continue to attract financial support.

In addition to the essential services provided to the community and to other service providers, the CCLC continues to provide specialist input into policy development and public debate on the issues in which it is involved on a day to day basis. The Centre continues to contribute its expertise in relation to the ongoing overhaul of credit laws, in particular payday lending, as well as credit reporting and state court debt recovery. Insurance issues continue to be high on its policy agenda.

The Management Committee recognises that the high quality service provided by the CCLC is due in considerable part to the fact that the staff of the Centre are dedicated, like minded individuals who work as a highly efficient and committed team. The team is most fortunate to have inspirational leadership from both Karen Cox and Katherine Lane, and the importance of their commitment to the Centre cannot be underestimated.

The Management Committee, comprising Elissa Freeman, Matthew Simpson, Michael Sadaat, John Burke, Amy Kilpatrick and Paul Baker, are no less committed to the continued viability of the Centre in providing the quality, essential service for which it is well known.

Margaret Raffan

Chair

## Coordinator's Report

It's been another busy and eventful year at CCLC. After a brief lull in the ever upward trend of our call numbers for 2010/2011, this year yet again broke all previous records with 18,406 calls taken. This is probably because we have had our biggest staff ever due to a combination of recurrent and project funding, and we duly acknowledge the support of our all our funders in making this service possible.

The Insurance Law Service, available nationally, has been particularly busy, with a sudden leap in call numbers from about February 2012 starting an upward trend that has continued throughout this year. A significant number of flood/storm disputes still unresolved from the January 2011 natural disasters have continued to keep our solicitors busy, in addition to new matters coming in every day.

The Credit and Debt Hotline took 14,774 calls from NSW residents, largely those in financial difficulty and struggling with debt. As always in the recent past, the number of calls we take is a more accurate measure of our available resources than of the level of demand, with demand outstripping our resources and calls still going unanswered despite our best efforts. We received an additional grant in this financial year from the Federal Department of Families, Housing, Community Services and Indigenous Affairs, to improve our infrastructure, including our outdated phone system, and we hope as a result, to be able to better manage peaks and troughs in demand, and to have a more accurate measure of unmet need.

The great casework results detailed throughout this report are a small sample of the work that goes on at CCLC on a daily basis. Both our financial counsellors and solicitors juggle a challenging combination of incoming calls for information, advice and assistance and ongoing client case loads. In addition to this they have administrative duties, work on law reform and policy projects, and contribute to the Centre's education activities. Of course none of this would be possible without our small but fabulous administration team, who keep the whole operation going.

I would like to acknowledge the support of our wonderful Management Committee who commit their time and energy to CCLC as volunteers. I would particularly like to thank Michael Saadat and Matt Simpson who are leaving us in late 2012 after nearly 6 and 4 years respectively on the Management Committee and wish them all the very best for the future. We will struggle to replace the skills they brought to the Committee throughout this period.

I am also very grateful to CCLC Principal Solicitor, Katherine Lane, whose heartfelt intolerance for injustice and great sense of humour (along with a few awesome legal skills) make it easy to keep up the good fight.

Karen Cox

Coordinator

## Principal Solicitor's Report

It has been my pleasure to be Principal Solicitor at CCLC for another busy year. I manage a team of very productive, highly knowledgeable solicitors and financial counsellors. This annual report clearly shows the large amount of work being performed at CCLC.

One of the most pleasing aspects of our work at CCLC has been the Insurance Law Service. It is a national service and it commenced operation in 2007. CCLC pursued pilot funding for the service because we believed there was a clear need for this service as consumers did not have access to free insurance law advice across Australia. The need for this service became even clearer after a series of natural disasters struck in Australia (including the QLD floods). In the 1<sup>st</sup> year of the Insurance Law Service we were funded for one full time person, took 693 calls for advice and opened 68 casework files. In the last financial year the Insurance Law Service has employed 2-3 solicitors, given 3632 calls advices and opened 75 cases (118 casework files were finalised). We have also significantly improved our reach across the country with only 19% of callers coming from outside NSW in the first year to 59% in this financial year.

The rapid expansion of the Insurance Law Service shows that “if you build it they will come”! Of course, the expansion is just further evidence of the need of consumers in Australia to be able to access advice and assistance on insurance matters. Consumers rely heavily on insurance to protect them when something goes wrong. If the claim is rejected this can be financial and personally devastating. To ensure access to justice it is essential that consumers can get advice about their rights and assistance to fight for a claim to be paid in appropriate circumstances.

I hope that the success story of the Insurance Law Service will soon be recognised as an essential consumer advice service.

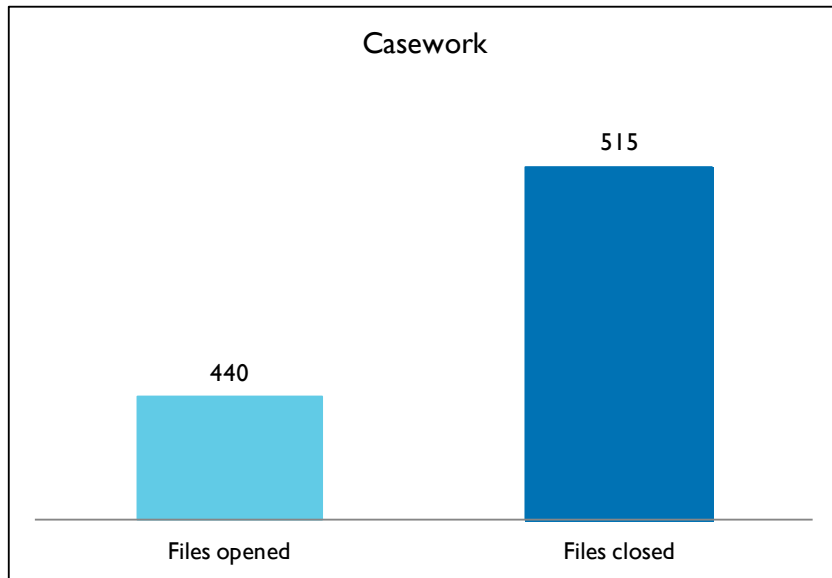
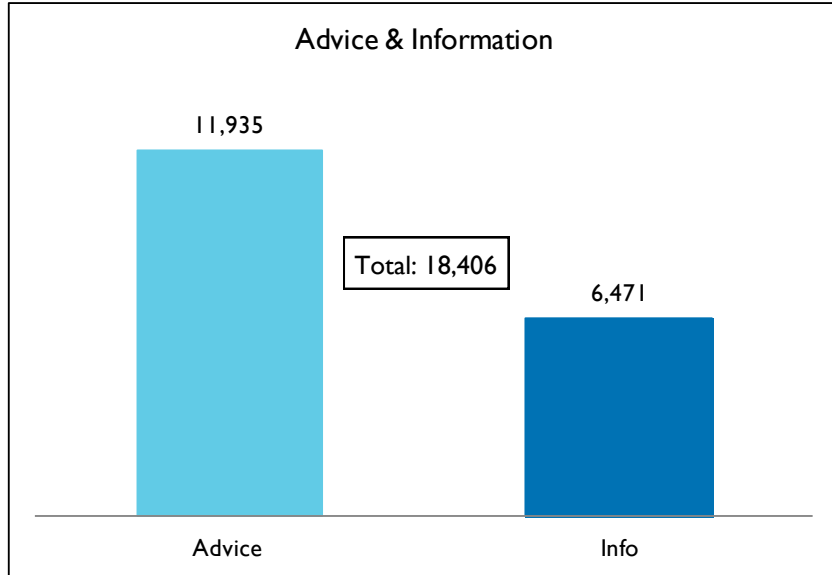
I want to thank my whole team for getting better and better at advice, casework, CLE and law reform every year. I particularly want to thank the senior solicitors and senior financial counsellors for their amazing work in providing guidance to the team and support and assistance to me. Lastly, I want to thank Karen Cox, the Coordinator, for being endlessly supportive and incredibly knowledgeable.

Kat Lane

Principal Solicitor

## Service at a glance

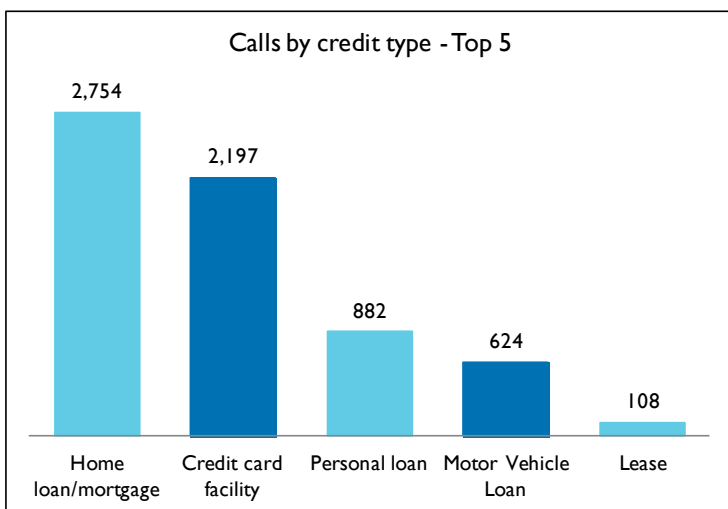
CCLC staff handled 18,406 calls and opened 440 files in the course of the financial year 2011/2012.



## Credit & Debt Hotline

14,774 calls were taken by the Credit and Debt Hotline in 2011/ 2012. These were made up of 8,697 advice calls and 6,077 information and referral calls. The details about client debt types provided in this report usually refer to advice calls only as very limited information is taken from callers who receive only information and referral.

The Consumer Credit Legal Centre (CCLC) operates the Credit and Debt Hotline (CDH), which provides legal advice and financial counselling information and referrals to NSW residents. This is a telephone service and it is the central point of contact for people requesting assistance in relation to credit, debt and financial hardship. Callers are given initial information, legal advice (if appropriate) and a referral to a suitable face-to-face financial counselling or legal service. Some clients receive ongoing casework assistance from CCLC.



The type of inquiries to the CDH range from the simple - including consumers asking for the contact details of their nearest financial counsellor or how to get a copy of their credit report - to very complex inquiries requiring legal advice in relation to home mortgages and bankruptcy

### Case Study: Multiple Debts, Multiple Strategies

A woman called the Credit and Debt Hotline with financial problems because she was unemployed and looking for work. She had a number of issues:

- An electronic transfer of \$450 she made to an incorrect account (this was supposed to go into her landlord's account to pay her rent);
- A bank credit card with \$1,000 owing that she could not pay;
- An electricity bill in her name of \$1,000, half of which she believed her flatmate should pay; and
- An SDRO debt of \$99.

The caller advised there was no legal action afoot.

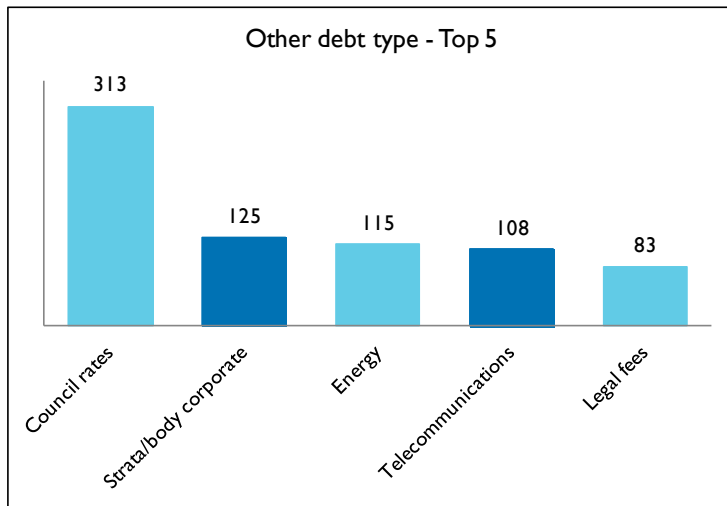
The financial counsellor took the caller through the debt recovery process so that she would know what to expect if the debts remained unpaid. The caller was also advised:

- To contact her landlord and inform them of the rent payment problem and to contact her bank to report the mistaken payment;
- To contact the credit card bank's hardship contact to negotiate a hardship variation;
- About Energy Accounts Payment Assistance vouchers, and to call about the Energy & Water Ombudsman of NSW if she wished to dispute the high energy bill;
- To contact State Debt Recovery Office to apply to pay the fine by instalments (she was also advised she would lose her license if the fine remained unpaid);
- How to contact a free face to face financial counsellor if she needed further assistance with negotiations or managing her money on a reduced income.

Several hours later she rang the Credit and Debt Hotline back to advise that she had contacted her flatmate, the real estate agent and the bank, who said they would assess her for a hardship variation on her credit card. She advised that the bank would also transfer the money back into her account to allow her to pay her rent. She had also arranged an appointment with a face to face financial counsellor, and she was about to call Energy & Water Ombudsman of NSW & the State Debt Recovery Office.

proceedings.

Calls to the CDH may be one-off advices, or increasingly, a series of on-going advices given to the same consumer. It is a goal of the CDH to assist consumers to self advocate and as such provides long-term direction, as well as discrete advice depending on the type of caller and the issue presented.



A key function of CCLC staff is to determine the level of assistance required by a consumer. Many consumers who are able to self-advocate with little guidance are referred to resources on the CCLC website for sample letters and fact sheets. Others are referred to their creditor's internal dispute resolution contacts or external dispute resolution services, with CCLC staff often dictating more customised letters over the phone. The CDH strives to ensure that service provision is our key priority, while also applying the knowledge gained from client contact to seek systemic solutions where appropriate.

For consumers who are unable to self-advocate, either because of the complexity of their problem, or their level of disadvantage, assistance can be provided in-house, by solicitors, financial counsellors, or both undertaking complementary tasks according to their expertise.

The majority of callers are members of the public. CCLC also provides legal support to financial counsellors across NSW. The CDH maintains support networks and contacts with Financial Counsellors by visiting regional and remote

### Case Study: Negotiating Hardship instead of a Part IX Debt Agreement

A woman called the Credit and Debt Hotline after her business closed down and she had been unemployed for 6 months. As a university trained professional she was quite literate but she was dealing with overwhelming debt problems. She had a combination of business and personal debt totalling \$78,000, not including a joint line of credit secured by a block of land owned by herself and her husband. Her husband also had personal debts of his own. All the debts were in arrears. She had negotiated a 3 month moratorium with one lender and a reduced repayment arrangement with another. She was contemplating entering a Part IX Debt Agreement.

The financial counsellor advised that Part IX is an act of bankruptcy and should not be considered lightly. He suggested that she look at other options before entering a formal alternative under the Bankruptcy Act. Entering a Part IX Agreement might also impact on her ability to be employed in her profession (she would need to contact her professional association for more information).

The financial counsellor suggested that instead she should try negotiating hardship arrangements with her creditors first and gave her the relevant contacts at each lender, referred her to the sample letters on our website, suggested some types of solutions that might work such as capitalisation of arrears, reduced payments, etc. He also explained to the caller about the free external dispute resolution services available and advised her to lodge a complaint if any of the lenders started or threatened to commence enforcement action. The power of councils to enforce unpaid rates against land was also discussed, along with the importance of paying as much as you can to creditors while negotiating.

The caller rang back a few hours later to read out her draft letters to the financial counsellor and seek feedback. She also called again a few weeks later for advice from a solicitor when she was doubtful about an offer by one bank to move her line of credit arrears to her credit card which was already maxed out. The solicitor confirmed that her instincts were right and this was an inappropriate offer and inconsistent with the bank's obligations under the Code of Banking Practice.

After several more calls the client was able to report that she had made satisfactory arrangements with all creditors (including not only reduced repayments but in some cases the permanent freezing of interest and in others a reduction of the principle amount owing). She only had to lodge in an external dispute resolution service in relation to one of her creditors to achieve an outcome.

regions, providing training both in Sydney and in regional and remote areas on relevant issues, and attending various Financial Counselling Association of NSW meetings in Sydney.

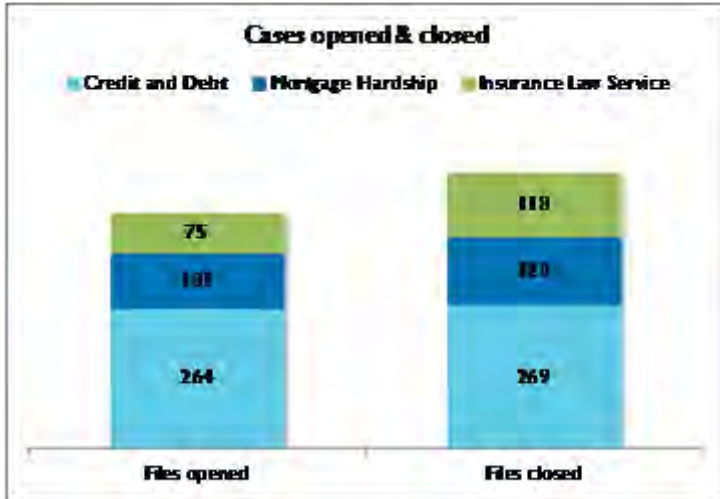
CDH is funded by the Financial Counselling Services Program administered by the NSW Department of Finance & Services (Fair Trading); the Community Legal Services Program funded by State and Federal Attorney General's Departments (AG's); and the Federal Department of Families, Housing, Community Services and Indigenous Affairs (FAHCSIA). This includes funding for casework in addition to information and advice (see subsequent casework reports on pages 16-18)

### **Referrals to face-to-face financial counselling**

A key role of the CDH is to refer callers to face-to-face financial counselling services in the community operated by other organisations. We provide a single point of contact for NSW residents in financial difficulty. We are well aware that financial counselling resources are stretched and therefore CDH staff try to identify callers who can self-advocate and resource them accordingly. Despite this filtering process, the number of callers referred to other financial counselling services grows each year with 6,735 referrals this financial year.

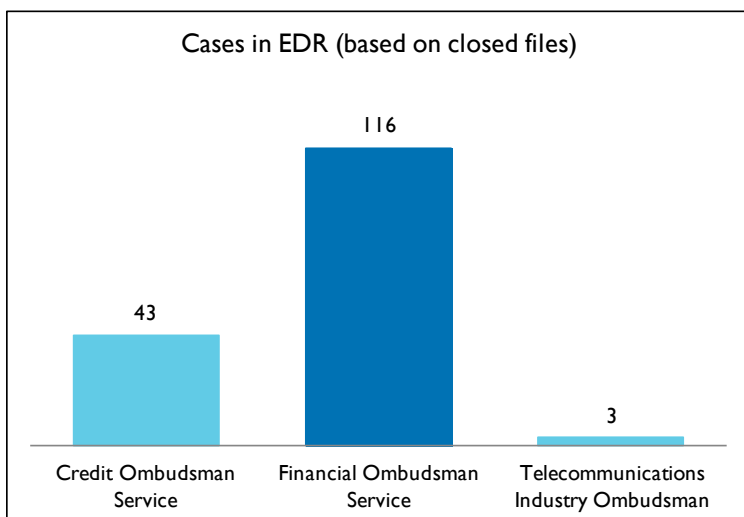
## Credit & Debt Casework

Over the last financial year, the general credit and debt service at CCLC (as opposed to the Mortgage Hardship Service or the Insurance Law Service) opened a total of 264 files.



The most common issues addressed in casework continued to include financial hardship and unjustness or unsuitable lending across a variety of different debt types. Other less frequent cases included car repossessions, strata debts, credit report listings, bankruptcy notices and creditor’s petitions, telecommunications debts, guarantees or other intra-familial debt, complaints about debt agreements, consumer leases, pawn broking agreements, and linked credit sales.

Casework included many matters in external dispute resolution (“EDR”) and Court. The graphs below and over the page cover all files *closed* in the financial year, including insurance and mortgage hardship (39 of the 116 Financial Ombudsman Service matters, for example, are insurance files). Files still open at the end of the financial year have not



### Case Study: Litigation

Mr A and Ms B are a de facto couple, Mr A was self-employed and on a medium income, Ms B was on Centrelink benefits and of Aboriginal descent. They had gone to a financial counsellor for advice about going bankrupt. The financial counsellor was concerned that their loans were clearly unaffordable from the start and referred them to CCLC for legal advice.

About 7 years prior, they sought the assistance of brokers to purchase their own home and entered into two loans - \$45,000 to the brokers, and \$450,000 to a mortgage provider. They had to choose a property from a very limited range presented by the brokers. Despite keeping up with repayments as best they could on the mortgage, they were in default on both loans, and the value of the property was less than the purchase price. The brokers commenced legal action against them in a Local Court.

CCLC conducted further investigations which revealed that:

1. There was no evidence that the \$45,000 deposit finance loan (that the clients thought would be their 10% deposit towards the sale price) was paid either to the clients or the vendors, even though the brokers had commenced court action for this loan.
2. Unknown to the clients, the \$450,000 main mortgage was set up as an investment loan with interest only payments and with Ms B as the only debtor.
3. There was still not enough money to cover the purchase at settlement, so the clients were pressured into a last-minute \$30,000 vendor finance arrangement at 10% *per month* interest. The clients’ only way to repay this loan had been to quickly borrow money from family.
4. The clients had struggled to pay around \$190,000 towards the mortgage in those 7 years, yet the interest-only mortgage was in default. There was certain to be a significant shortfall if the property was sold and the clients were looking at bankruptcy.

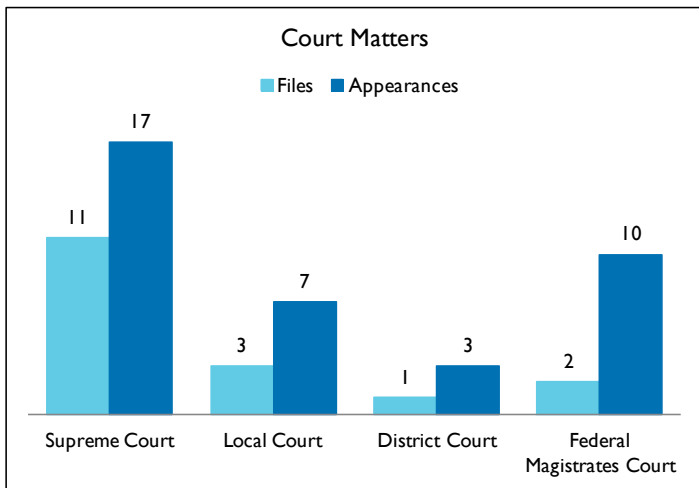
CCLC initially filed a defence and cross-claim in the Local Court. After further details emerged, however, a statement of claim was filed in the District Court on behalf of our clients and the proceedings were consolidated. A dispute was also lodged in the Credit Ombudsman Service in relation to the main mortgage provider. All matters were ultimately settled with an outcome the clients were satisfied with.



been included.

In this same period seventeen complaints were made to Australian Securities & Investments Commission, and two to the Australian Competition & Consumer Commission.

The number of matters in Court is included in the graph below. This includes files closed in the 2011/2012 financial year only. Appearances on these files may have occurred in earlier years depending on how long the file has been open. Many appearances which occurred in this period have not been included here because the relevant file was not closed



at the conclusion of the financial year.

The matters in the Supreme Court relate largely to applications for temporary stays of eviction in the Possessions List. In most cases these applications enabled the borrower more time to move out and/or find alternative accommodation, or the opportunity to negotiate to sell their own home rather than face eviction (See Mortgage Hardship Service on Page 19).

#### Case Study: Break fees incorrectly charged

This case involved a reverse mortgage for \$60,000 entered into in 2006. The client's complaint was a \$43,000 break cost added onto his payout figure by the lender when he was thinking about downsizing – this was always his intent when he got the loan and he had told this to his broker, who had assured him there wouldn't be much of a fee.

After getting the documents, it turned out that the loan was always set up as a variable rate contract and had never been switched to a fixed rate. Once questioned, the lender came back very quickly to confirm the fixed rate break cost didn't apply after all.

#### Case Study: Loans for training courses

Our client, who was unemployed and on the Disability Support Pension, saw an advertisement promising employment if she signed up for a training course costing \$5,500. Unable to afford the course fee, she was referred to a contact of the course provider who could arrange a loan for the relevant amount. The loan was made via a promissory note payable in 63 equal instalments. The job did not work out and the client was left struggling to pay the loan on the Pension.

CCLC agreed to assist and ultimately lodged in the Credit Ombudsman Service against the lender. The matter was settled to the client's satisfaction but two further clients have since sought assistance with almost identical circumstances. One of those matters has also been settled and complaints have been made to the appropriate regulators.

#### Case Study: Relationship debt

Our Client was illiterate and suffered from a serious mental illness. His ex wife took out credit cards in his name and ran up debts with four different financial institutions. Three of the institutions agree to release the client from the debts and remove any associated default listings fairly quickly once they understood the circumstances.

The fourth institution was much more difficult to convince and it was necessary to lodge a dispute in the Financial Ombudsman Service before the matter was ultimately resolved.

#### Case Study: The endless pawn contract

Mrs X was an Aged Pensioner from a non-English speaking background. She pawned \$750 to obtain money for a friend in need but was unable to afford to repay the loan plus the fees and charges required to get the jewellery returned. Instead she paid the fees only and the loan continued for a number of years. When she sought assistance from CCLC she had paid over \$7,500 (10 times the value of the loan) and saw no hope of ever recovering her jewellery.

We raised a dispute based on the unjust provisions of the *National Credit Code* and breaches of the *Pawnbroking Act* in NSW. The matter was lodged in the Credit Ombudsman Service and ultimately resolved on terms satisfactory to the client. The breaches of the *Pawnbroking Act* were also reported to the Fair Trading NSW.

## Financial Counselling Casework

CCLC financial counselling casework clients include:

- Clients who are also being assisted by CCLC solicitors or, in the case of mortgage matters, by Legal Aid NSW solicitors;
- Clients who have difficulty in obtaining an appointment with their local financial counsellor, for example:
  - Due to medical reasons the client is unable to travel or is in hospital,
  - The local financial counselling agency appointment books have closed because they have insufficient resources to take on any new clients at that point in time,
  - The local financial counselling agency has a conflict or is unable to assist the client for any other reason;
  - There is no local financial counselling agency available in the clients locality.
- Clients who are in prison;
- Clients whose situation is urgent as legal action has commenced or is about to commence;
- Clients who may simply need minor (one-off) assistance with writing a letter to a creditor or drafting a complaint to an external dispute resolution service.

Where possible, CCLC financial counsellors try to arrange face-to-face appointments with clients. When this is not available other methods of communication are used, for example a combination of telephone / email / fax or mail, whatever is most convenient for the client.

In 2011/2012 financial counsellors gave detailed information or advice in the course of 4,695 calls, handled a significant number of the 6471 information calls taken by the service, and opened 77 cases.

See also the Mortgage Hardship section (opposite page) which involves financial counsellors and solicitors working co-operatively.

### Case Study: Reverse mortgage an inappropriate solution to poor lending practices

Our client is in her mid-seventies, comes from a non-English speaking background, and suffers from a range of serious age-related medical conditions. She had credit card debts amounting to about \$50,000 to two banks. In 2011 one of those banks approved a reverse mortgage over her home to pay out both credit cards. However, our client had a change of heart between signing contract and accepting the money and tried to cancel the contract. The bank said it was too late.

CCLC raised complaints with both banks about the original credit card debts, arguing maladministration in the decision to lend and unjustness under the National Credit Code. Both cases were ultimately settled to the client's satisfaction, including a discharge of the mortgage over the home. The matter was conducted entirely by a CCLC financial counsellor under the supervision of the CCLC legal practice and was resolved by internal dispute resolution by both banks involved. No complaint to the Financial Ombudsman Service was necessary.

### Case Study

Our client is in his fifties, rents his home and receives the Disability Support Pension as his only source of income. He had a stroke a few years previously which has prevented him from being able to work in any capacity and he has sold off his assets progressively to pay his debts and meet his living expenses.

He had a number of debts including:

- A debt and ongoing contractual obligations to an internet provider for a service that had never worked;
- Two credit card debt of about \$30,000 in total.

The financial counsellor wrote to the internet provider and arranged to have all current and future charges wiped on the basis that the service had not been delivered as advertised. The equipment was collected by the company at no charge to the client. The credit card debts were ultimately settled for a combination of significantly reduced lump sums and manageable repayments with no further interest and charges accruing.

### Case Study

Our client had a motor vehicle accident for which he was uninsured. The other party's insurer demanded over \$2,000. The client is an Aged Pensioner. His only assets were his old car and some money saved for his funeral. The financial counsellor settled the case for a reduced lump sum payment.

### Case Study

Mrs P had a debt of \$18,000 to a debt collector. She is suffering from incurable cancer. After representations were made on her behalf by a CCLC financial counsellor the client was released from the debt completely.

## Mortgage Hardship Service

The Mortgage Service (MHS) is a joint project between CCLC Legal Aid NSW. It commenced in 2009 as a response to the growing number of home repossessions in NSW. The project commenced with two year funding from the Solicitor's Public Purpose Fund, which was subsequently renewed for a further 12 months until June 2013. The service targets and assists NSW residents facing "Mortgage Stress" and financial hardship, providing a holistic, multidisciplinary approach to a client's needs. The aims of the service are:

1. To prevent home repossessions in cases where this is a realistic option by providing legal advocacy, financial counselling and related assistance; and
2. To assist borrowers who cannot realistically maintain home loan repayments in the longer term to leave their home with minimal financial loss and social disruption.

The MHS often involves solicitors and financial counsellors working closely together client files. There is a tangible advantage in this approach for clients, as it:

- Ensures the client's whole financial situation can be assessed, and not only the mortgage problem;
- Increases the likelihood that any solutions reached with mortgage providers are sustainable in light of a client's whole financial situation (including negotiations with other non-mortgage creditors where necessary); and
- Maximises the probability that either a client's home can be saved long-term, or alternatively that the client (or clients) can come to terms with selling the home as being the best option to regain control of their financial situation.

### Case Study: Hardship arrangement for prisoner

Our client was in prison for a 12 month stint. His wife and daughter were trying to manage the mortgage but were finding it difficult. Prior to serving his sentence the client had obtained early release of his superannuation. The client believed that once he was released he could return to full time work quickly, and there was some equity in the property. The lender commenced legal action and served the client in prison. CCLC represented the client in the Financial Ombudsman Service, seeking that he be given a moratorium until 3 months after his release. At that time the client was to have either sold the property or recommenced repayments. A CCLC financial counsellor conducted negotiations in relation to his other debts, obtaining moratoriums until his release. Once three months of payments were made on the loan post release from prison, the arrears would be capitalised and the loan term extended accordingly. This arrangement suited the client's needs and there was an agreed procedure in place for the sale of the property in the event the client was not able to return to work.

### Case Study: You can't borrow your way out of debt

Our clients owned a home with a mortgage. Mrs Y had increased medical expenses following cancer treatment. Mr and Mrs Y decided to go bankrupt and entered an arrangement with the trustee in bankruptcy to retain the property in which they had negligible equity. However, whilst undischarged they continued to struggle to make ends meet. A CCLC financial counsellor worked intensely with the clients to ensure a workable financial plan. Mrs Y had incurred several expensive fringe loans in attempting to keep up with their commitments. A solicitor negotiated with the lender and the outstanding balances were waived. The clients were assisted in surrendering their expensive car that was leased pre-bankruptcy and the shortfall was a liability included in the bankrupt estate. After a number of months of working on repayment arrangements that slowly increased along with the available income of the clients (as the other obligations reduced), the mortgage provider agreed to capitalise the arrears and extend the term of the home loan.

In the 2011/2012 financial year CCLC has given 2351 advices and undertaken 101 cases for consumers in mortgage hardship during the course of the year. Of the 101 cases, 12 were opened by financial counsellors and 89 by solicitors.

### **Duty Roster Scheme at the Supreme Court of NSW**

The Solicitor Scheme set up at the Supreme Court of NSW in September 2009 is continuing, for referrals made from the Duty Registrars and Judges in relation to assistance and advice with urgent stays on writs for possession and possible defences or representation for otherwise unrepresented litigants in the possessions list. Between July 2011 and 30 June 2012 approximately 48 clients have been advised at the Court by CCLC.

Assistance at the Court ranged from providing face to face advice in relation to statements of claim, (including lodging in the relevant external dispute resolution scheme where appropriate), to advice about appeals in the Court of Appeal, drafting notices of motion and affidavits for urgent stays on notices to vacate, to appearing for clients before the Registrar or Duty Judge to obtain a further stay on a writ for possession.

While the volume of clients assisted through the duty scheme is far smaller than the number who find us through the Credit and Debt Hotline, all our mortgage clients benefit from the improved knowledge of the court's processes and idiosyncrasies gained by the solicitors while providing the duty service.

### **Case Study: Avoiding bankruptcy**

Our client had a mortgage that was \$150,000 in arrears. The lender agreed to stay an eviction if he paid \$9,000 by accessing his superannuation early. The payment was late and the lender was going to proceed with the eviction. CCLC lodged in the Credit Ombudsman Service on the clients behalf. CCLC was able to negotiate for time for the client to sell the property and the lender agreed not to enforce the likely shortfall of \$60,000. The client was very happy that he had an opportunity to sell the property himself, and that he was able to walk away without being forced into bankruptcy.

### **Case Study: Getting back on your feet takes time**

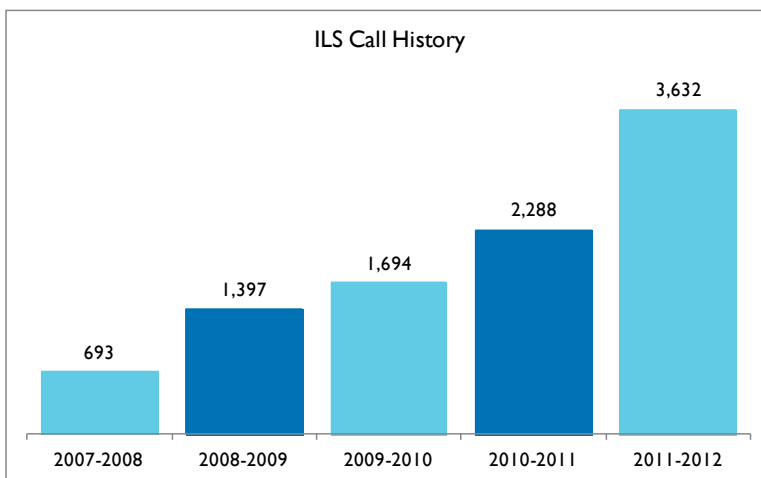
Mr T owes around \$320,000 on his mortgage, and lives in the property with his pregnant wife and two children. He runs his own business with his wife. He first fell behind in repayments in mid-2011 because his business was struggling. By September 2011 things had improved and he was able to return to making his normal monthly repayments on time. He had continued to do so since but he was struggling to pay anything towards the arrears. A notice to vacate was issued in mid 2012. CCLC took on the case and negotiations led to an arrangement to allow Mr T to pay the arrears and continue with the normal mortgage repayments. We are now pursuing the issue of the considerable enforcement costs charged to the mortgage in circumstances where the client was clearly struggling to overcome period of hardship and was meeting his usual repayments throughout.

### **Case Study: Temporary stay**

A client attended at the Duty Scheme for advice on a scheduled eviction. The client was an undischarged bankrupt, and was seeking a stay on the basis that his family was going to refinance the mortgage and pay the debt in full. The client was self represented before the Registrar and the Duty Judge. CCLC appeared before Duty Judge on a stay application to assist client articulate to his position and to seek the relevant instructions from the Trustee in bankruptcy. The Duty Judge granted the stay for 7 days to allow him to negotiate further.

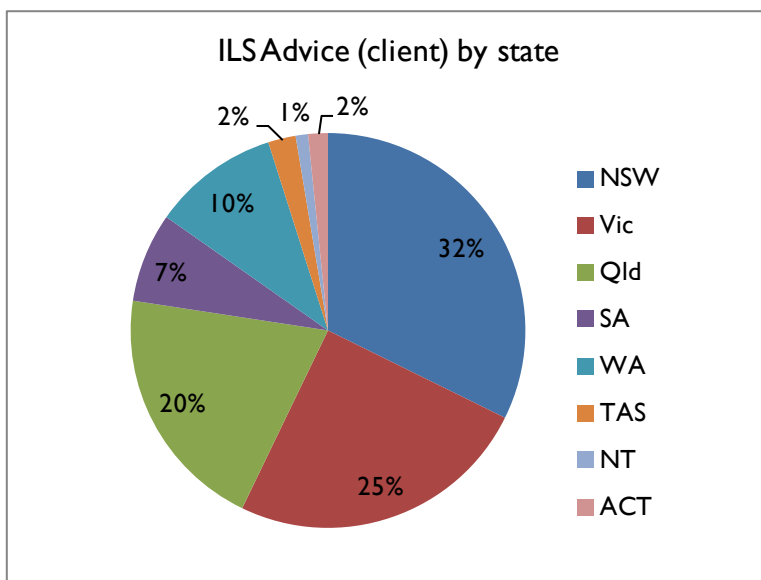
## The Insurance Law Service

The Insurance Law Service, a national service offered Consumer Credit Legal Centre, is funded by both Legal Aid NSW and Commonwealth Attorney Generals via the Community Legal Services Program. The service has grown steadily since its inception in 2007 and particularly rapidly in 2012, revealing a strong demand for consumer advice in this area.



### Advice

Legal advice is available nationally via 1300 663 464. The service answered 3632 calls during the period from July 2011 to June 2012. This represents a 59% increase in calls over the previous financial year. Eighty nine per cent of the callers received legal advice from the service whereas the remaining 11% of callers were provided with information or referrals



### ILS Advice case study: You need to interview us for how long?

Mr and Mrs S contacted the ILS when their insurer indicated that an investigator would be interviewing them about their claim for hail damage on their car. The investigator had indicated that he would need a 3 hr interview per person (six hours in total) to conduct the interviews. An ILS solicitor advised that this was an unreasonable time frame for a fairly straight forward case and suggested that they ask him to limit the interviews to an hour each. The investigator walked out and said he would have to speak to the insurer.

The callers contacted the ILS a further 5 times over several months. The insurer later accused the clients of having failed to make contact with the investigator in the first place. Further, several written complaints did not result in any agreement about what would be a reasonable time for an interview. Their car was in the possession of the insurer throughout this period. When the callers finally lost patience and asked for the car back they were charged a \$90 towing fee when the car was able to be driven (it was hail damage – not accident damage!).

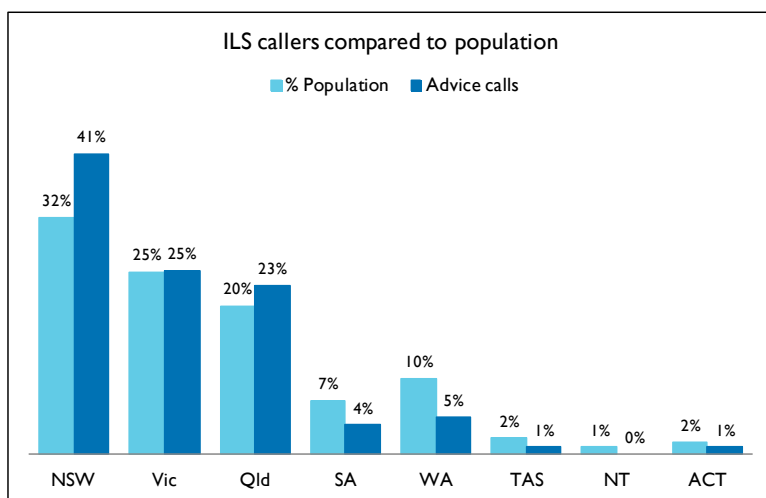
The case was eventually settled to our client's satisfaction and they wrote to express their thanks: *"This has been a long 10 months journey that we had to endure and without your advice and support this would have been difficult..."*

only.

As usual, a significant number of calls (41%) were not from insurance customers but rather from consumers being pursued by insurance companies for debts. The vast majority of these calls related to motor vehicle accidents for which the caller was uninsured.

### A National Service

While national promotion is a challenge with limited resources, 59 percent of calls for this period came from outside NSW. Victoria (at 25% of calls) was the biggest source of calls outside NSW, followed by Queensland (23%). Calls were received from every State and Territory in Australia with the lowest number coming from Northern Territory.



### Natural Disasters

The Insurance Law Service received 226 calls about storm and flood in this period, most of which surprisingly occurred in the second half of the financial year (early 2012), and 12 calls about bushfire.

### Claims – Insurance Types

Of the calls about a claim on the caller's insurance policy, 45% (compared to 42% last year) related to Motor Vehicle insurance. This was the most common insurance type by a significant margin. Calls relating to Home and Contents insurance represented 24% of calls (that is, 15% for building and 9% for contents).

Other calls involved life insurance, consumer credit insurance, travel insurance, income protection insurance and funeral insurance.

### ILS Casework case studies

#### Queensland flood cases (a couple of examples from many)

**Case 1** Ms A's property was severely damaged by water inundation on 11 January 2011. She made a claim for the damage under her Home and Contents Insurance policy with her insurer who rejected it on the basis that the damage was caused by flood, and flood was excluded from her policy.

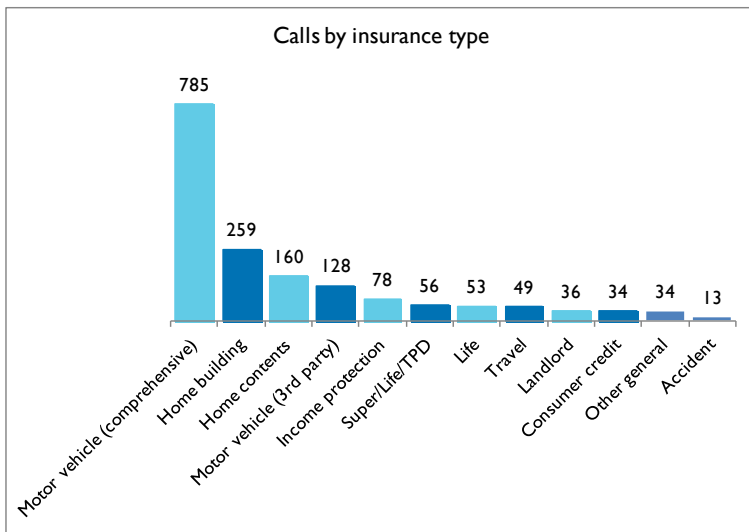
The ILS requested that Financial Ombudsman Service ("FOS") review the rejection on the following grounds:

- The damage to the insured property was caused by the insured events of flash flood and stormwater run-off and the insurer did not *clearly inform* Ms A of a cap on payments for flash flood and stormwater run-off.
- In the alternative, the insurer did not *clearly inform* Ms A of the flood exclusion as they are required to under the law and should be estopped from excluding flood cover under the policy.

The main issue was whether the damage was caused by flood, or by stormwater run off or flash flood, defined in the policy as a *sudden flood caused by heavy rain that fell no more than 24 hours prior to the flash flood*.

The ILS argued that the heavy rain which fell over Wivenhoe Dam in the early hours of 11 January 2011 caused the dam operators to escalate to Strategy W4 which subsequently caused the flooding of our clients' property, and that the heavy rain that began on the early morning of 11 January 2011 was a separate event to the rain of preceding days.

Although the Insurer found that Ms A had been clearly informed of the exclusion and the limitations on payment for flash flood, the FOS panel accepted our submission that the proximate cause of the damage was flash flood. The FOS panel determined that the insurer should indem-



## Insurance Casework

The Insurance Law Service opened 75 files for the period ending 30 June 2012 (compared to 186 last year and 70 the year before). The significant increase in casework in the previous financial year (2010/2011) was mainly due to our increased workload following the Queensland floods. This is also reflected in the high number of files closed over the last financial year (118).

### Types of insurance casework matters

The Service's top 3 insurance closed files casework products were Home Building insurance, Home Contents insurance and Motor Vehicle (comprehensive) insurance. However, the service conducts casework in relation to a broader range of products including for example, motor vehicle third party property insurance, travel insurance, consumer credit insurance, income protection insurance, accident insurance and life insurance.

nify the client for the entirety of her loss up to the policy limits of \$100 000 for building and \$60 000 for contents and pay for interest at the statutory rate from 22 March 2011.

**Case 2** Our client's claim resulting from the storms in Qld in January 2011 was paid in January 2012. The ILS had lodged a dispute with the insurer's internal dispute resolution section in about July 2011 after the client's original claim was rejected in June the same year. The ultimate dispute in FOS centred around interest under s57 *Insurance Contracts Act*. The insurer refused to pay interest, justifying their stance on the basis of the size of the catastrophe and the complexity of the case. The ILS argued interest should be payable as all the relevant information was in the insurers hands for at least six months and no additional information was considered before they changed their mind in January 2012. FOS awarded interest from 3 June 2011 plus \$500 in compensation for non-financial loss.

### Alleged fraud

Mrs B was involved in a motor vehicle accident on June 2011. The next day she called her insurer and made a claim under her comprehensive motor vehicle insurance policy for the damage to her car and to the other vehicle. Her claim was rejected in writing by the insurer's customer relations department.

The insurer claimed Mrs B had engaged in fraud, that she had breached her duty of utmost good faith and that the accident hadn't happened in the way she had indicated. The insurer relied on inconsistencies between her interview and an interview with her husband. Mrs B's husband did not speak English and his interview was conducted via an interpreter. The insurer also relied

on a Forensic Collision Investigation Report to show that the crash had not happened in the way that Mrs B had indicated.

The ILS wrote submissions to FOS for Mrs B.

We argued:

- Her husband's statements had been taken out of context and that he had adequately explained any alleged inconsistencies.
- Neither Mrs B's conduct nor the conduct of her husband had contributed to the loss or prejudiced the insurer's interests so they were unable to reject her claim pursuant to s54 and s56(2) of the *Insurance Contracts Act*.
- The Forensic Collision Investigation Report, relied on by the insurer, was seriously flawed, and was, in any event, consistent with Mrs B's account of the accident.

The insurer agreed to pay Mrs B's claim in full.

#### **Sale of consumer credit insurance**

Mr D is 27 years old and has dependent children. He's now been diagnosed with a second brain tumour.

Sometime between being given the all clear on the first brain tumour and the news about the second brain tumour, Mr D applied for a personal loan. The bank sold him consumer credit insurance. Mr D told the bank representative that he'd had a brain tumour in the past. At time of policy inception, the bank representative said words to the effect of "Well, if you've had a brain tumour before, you should definitely get insurance because then you'll know you'll be protected if you get another brain tumour".

Mr D got the second tumour and lodged a claim on his insurance as he was unable to work. The bank refused his insurance claim on the basis of a pre-existing condition.

The Insurance Law Service lodged in FOS on his behalf arguing a number of things but chiefly estoppel. The insurer reviewed their decision and decided to accept his claim. Monthly repayments

on Mr D's loan are now being paid by the insurer.

#### **Financial hardship and excess payments**

Our client is an Aged Pensioner. She claimed on her comprehensive motor vehicle insurance following a car accident but could not afford to pay the excess of \$650 in a lump sum. She offered to pay by fortnightly instalments but the insurer refused. She contacted the ILS after she received a letter of demand from her own insurer for the amount of the excess with a threat to commence legal proceedings if she did not pay the amount in full by a particular date.

The ILS wrote to the insurance company's internal dispute resolution section to condemn their treatment of their customer and seek a repayment arrangement for the excess as per the law and the relevant Financial Ombudsman Service Circular on the issue. The insurer accepted and repayment arrangement and authorised our client to get her vehicle repaired.

#### **Travel insurance & pre-existing condition**

Mr and Mrs E arranged travel insurance for an overseas holiday. The policy was arranged through a branch of the insurer's agent. The holiday was cancelled when Mrs E required ankle surgery so Mr and Mrs E put in a claim for cancellation expenses. The insurer declined the claim on the grounds of a pre-existing medical condition.

The ILS disputed the decision in FOS on the basis that Mrs E disclosed her rheumatoid arthritis at policy inception and an extra premium was paid to cover this condition. This led Mr and Mrs E to believe they would be covered.

FOS recommended in our clients' favour on the basis of estoppel. They recommended that Mr and Mrs E be paid their cancellation costs, interest per s57 of the *Insurance Contracts Act* and an amount for non financial loss. The insurer accepted the recommendation and paid the clients accordingly.



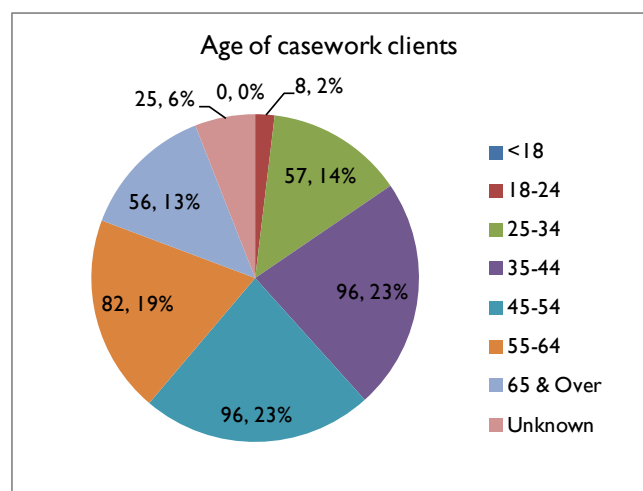
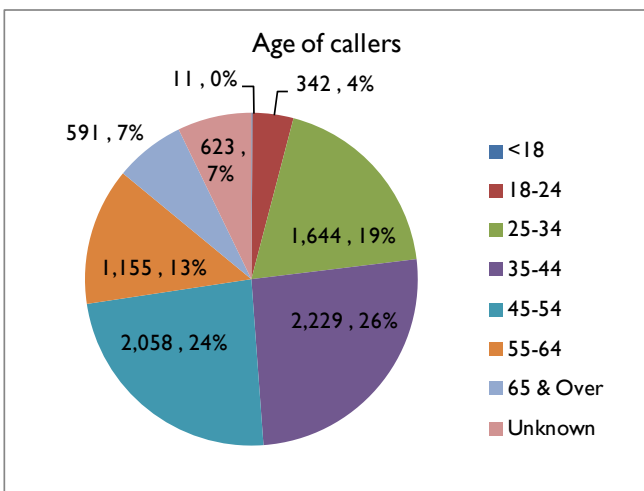
## Client Demographics

CCLC makes its services available to people from all parts of NSW and the ACT in relation to credit and debt, and to the entire country in relation to insurance. We endeavour to be accessible and relevant to consumers of all ages and from diverse cultural and linguistic backgrounds. As a state-wide telephone advice service this presents ongoing challenges and we are dependent on regional Legal Aid offices, community legal centres, financial counsellors and other community organisations to help us stay in touch with our client base.

The following statistics relate to advice and casework clients only. Very limited information is taken from callers receiving information and referral only.

### Age

As in previous years, our clients fall predominantly into the 35-54 age range, but users of the service come from all age groups, including the very young and the over 65's. The age distribution of our casework clients also shows that the largest number of casework clients are also in the 35-54 age range, but we assist a higher percentage of callers in the over 55 age bracket as compared to this group as a percentage of callers. Callers in the 55-64 age range represent 13% of callers, but they represent 20% of casework clients. Similarly, over 65s represent only 7% of callers but 13% of casework clients.

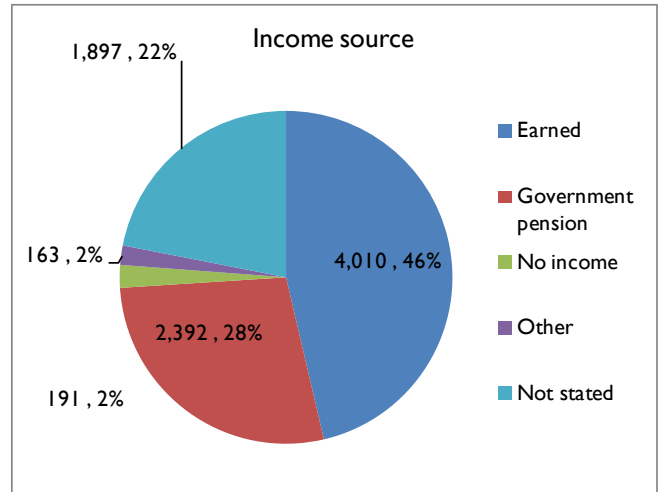
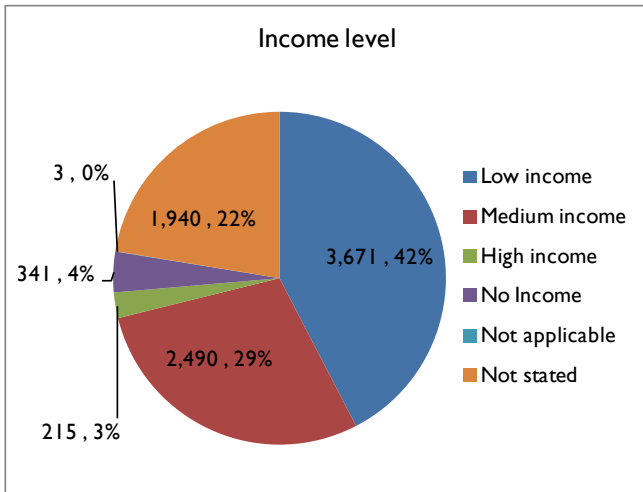


### Gender

Callers to the advice line are 51% male and 49% female this financial year.

**Income**

As would be expected, the bulk of our clients have a low or medium income or no income at all. There is no income or assets test in relation to obtaining one-off advice from CCLC, but more intensive advice and case-work services are generally restricted to those who cannot afford private legal assistance. 28% of callers are on a Government payment or pension. As would be expected over 90% of casework clients have a medium income or less with 66% reporting low income or no income.

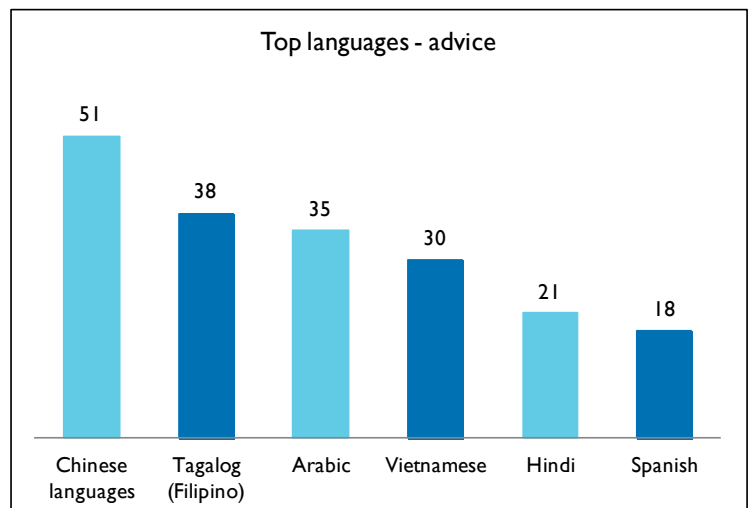


**Indigenous status**

Only about 1% of callers to the service self-identified as indigenous. The figure for casework clients with files closed in this period was 5%.

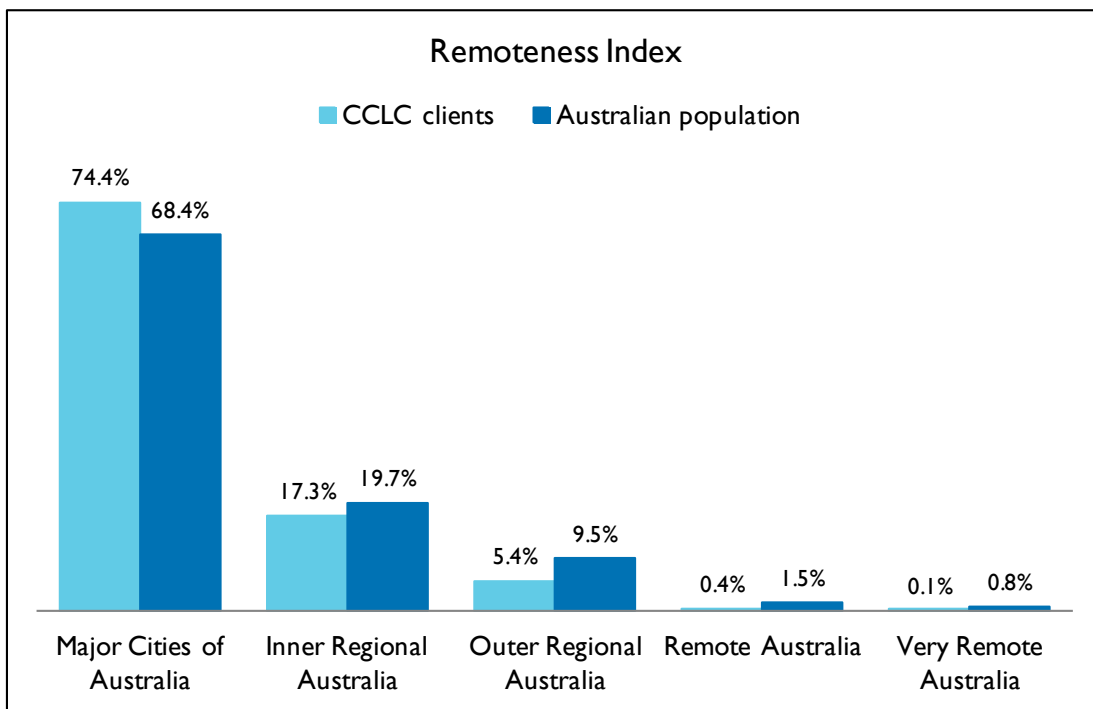
**Main Home Language**

5% of callers who received advice indicated that English was not their first language or the main language spoken at home. Callers spoke many different languages, the most commonly spoken being Arabic, Chinese, Vietnamese, Tagalog, Hindi and Spanish. 16% of clients whose files were closed in this financial year spoke a language other than English at home, reflecting the priority given to those who face particular barriers in being able to self-advocate. There were 30 non-English language groups represented among casework clients whose files were closed in this period including languages as diverse as Portuguese, Czech, Amharic, Sinhalese, Shona, Dinka and Urdu, in addition to more commonly spoken languages such as Arabic, Chinese and Vietnamese.



## Geographical Area

As can be seen from the graph, while the majority of callers came from capital cities (from around Australia in the case of insurance), calls were also received from inner and outer regional Australia, remote and even very remote areas. The correspondence between these percentages and those for population of Australia is also shown.



## Education

### Community education

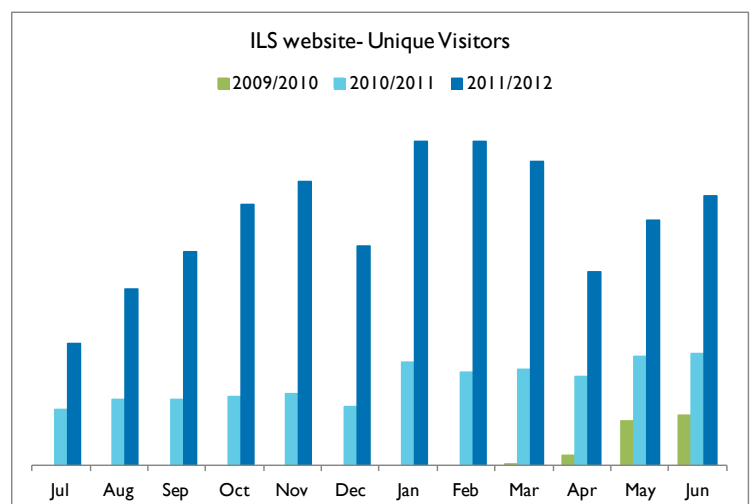
Community Legal Education continues to be a vital part of the Centre's work. The presentations and workshops given to community workers are an effective use of the Centre's limited resources to achieve the aims of informing and empowering the community. The CCLC and ILS websites are particularly effective in helping our clients turn our advice into meaningful self-representation. The growth in the use of the Centre's websites is particularly encouraging.



### Websites

[www.cclcnsw.org.au](http://www.cclcnsw.org.au) is the Consumer Credit Legal Centre's credit and debt website. The site contains fact sheets and sample letters dealing with the most common credit and debt issues effecting people in financial hardship. The information on the site is geared toward being practically and immediately useful and is a vital corollary of the telephone advice given by the Centre. It is also used as a stand-alone resource by members of the public, financial counsellors and other community workers. This site has been used by 84,140 unique users in the 2011/2012 financial year. This is almost double the users from the previous year.

The Insurance Law Service website contains information, fact sheets and sample letters to assist people claiming on their insurance, disputing a refusal of their claim or dealing with an alleged debt to an insurance company. The site is [www.insurancelaw.org.au](http://www.insurancelaw.org.au). Like the credit and debt website it both stands alone and is an important co-resource for the ILS telephone advice. The number of users to this site has almost tripled to 42,699 unique users in this financial year.



### CCLC's community education activities:

CCLC community education strategy is geared toward spreading our specialist skills and knowledge in the most effective means. To this end, the following activities were undertaken by CCLC staff:

- Presentations and workshops to financial counsellors, Legal Aid and CLC lawyers, providing them with up to date specialist legal information to guide their advice and casework;
- Training was provided to trainee financial counsellors in credit and debt, mortgage hardship and insurance matters as part of their progress toward accreditation;
- Attendance and participation at conferences, seminars and meetings to maintain close relationships with the community sector and government;
- Publications aimed at resourcing financial counsellors and Legal Aid and CLC lawyers;
- Workshops for Community Workers assisting immigrant communities and other special needs communities;
- Presentation on credit and debt to recent immigrant and refugee communities;
- Presentations on risk management to NSW Community Legal Centres and Legal Aid NSW lawyers;
- CCLC's regular e-flyer distributed to financial counsellors, caseworkers and lawyers;
- Publications on credit and debt in English and other community languages on the website and in hard copy;
- Educating and supporting Financial Counsellors and caseworkers through the CDH line and by the Financial Counsellors hotline.

## Policy & Law Reform

Policy and law reform advocacy remains a vital part of CCLC's work. Our large volume of advices and casework assists us to identify systemic issues early, and are used as part of CCLC submissions to properly illustrate the consumer problems and inform the policy outcomes and reforms we are seeking.

As in past years, CCLC was involved in a wide range of law reform issues this year.

### Highlights in Policy and Law Reform

- Ongoing consultation on the Phase 2 credit law reforms including reform in relation to credit cards, leases, reverse mortgages, direct marketing, financial hardship and small amount high cost loans (including pay day loans). Much of this work culminated in the recent passing of the *Consumer Credit Legislation (Enhancements) Act 2012*.
- Ongoing involvement in policy work that was required following the QLD floods including the Natural Disaster Insurance Review, House of Representatives Inquiry In the wake of disasters and meetings with ASIC, the Minister for Financial Services and Superannuation and the Insurance Council of Australia.

Other policy work included:

1. Meetings and submissions with the NSW Attorney General's department on reforms to the Civil Procedure Act, to advocate for greater consumer protection in the enforcement of court judgment debts, such as aligning the items protected from the sheriff with the items protected in bankruptcy
2. Submission to NSW Fair Trading on Strata and Community Title Law reform, to advocate for issues including hardship policies in strata schemes and limits to legal enforcement costs
3. Submission in support of gambling reforms, including limiting poker machines to low value bets and controlled losses
4. Meeting with the ABA to meet community needs such as making sure disadvantaged and low-income earners are considered in bank processes & procedures and in product design
5. Submission to ACMA supporting reforms to ensure calls to 1800 numbers are free and capped to 30 cents for 1300 numbers.

### Regular Committees on which CCLC is represented:

- Supreme Court Possession List Users Group
- Australian Bankers Association Consumer and Community Consultative Forum
- Veda Advantage Consumer Liaison Meetings
- Insurance Reform Advisory Group
- The Australian Securities and Investments Commission Consumer Advisory Panel
- Combined Insurance Lawyers Service
- Various Combined Community Legal Centre Group meetings.

### Media

CCLC continues to be very active in various forms of media including print, radio, television, both mainstream and regional media. Engaging with the media is a key opportunity for us to:

- To increase awareness of our services with the general public;
- To educate consumers about their rights and obligations; and
- To encourage and facilitate debate on law-reform issues.

The majority of the media work has been undertaken by the Principal Solicitor, Katherine Lane and the Coordinator, Karen Cox, with contributions from other staff members at times. We also connect our clients with journalists when they have a story that needs to be told in the public interest.

## Administration Report

In 2011/12, the CCLC Administration team comprised of Chris Maddison (Finance Officer), Kalie Zervos (Office Manager July 2011 to June 2012), Nicola Sutton (Office Manager, job share from April 2012) and Anthony Lane (Locum Office Manager, job share from June 2012).

The responsibilities of the Administration team cover a range of governance, resource, staffing and facility activities. Recent highlights were:

- New resources: development and roll out of information fridge magnets and cards for clients.
- Employee benefit scheme: introduction of fortnightly fruit baskets for staff and quarterly group supervision sessions in addition to existing benefits such as access to counselling/debriefing, staff social functions and quarterly massages.
- Archiving project: development of new procedures to incorporate storage of closed files with and without file storage authorities. As part of this project all relevant files were scanned or stored and all files recorded on a new tracking sheet, which captures if files have file storage authorities, are minor case assistance files, have been scanned and the location of paper file originals.
- Customer feedback: development of a spreadsheet with graphs that is used to capture the information from customer feedback surveys and provides a visual display of the information.
- Website statistics: development of a spreadsheet with graphs that is used to analyse website statistics for both CCLC and ILS websites and provides a visual display of the information.
- Phone system upgrade: assisted the coordinator with research into acquisition of a new phone system.



## Governance activities

The Team is responsible for maintaining financial records and reports to assist in the day-to-day operation of the Centre and for the benefit of the Management Committee. They also gather performance statistics, collaborate with the Centre Coordinator on submissions to funding bodies, compile supporting documents (i.e., agendas, minutes, etc.) for meetings with staff and the Management Committee, and coordinate the publication of the Annual Report.

**Resource activities**

Resource tasks include the maintenance and update of the CCLC website, the distribution of e-flyers and brochures, and referral advice to first-point-of-contact callers who call outside designated advice times.

**Staffing activities**

Staffing tasks include remuneration, recruitment, induction and staff training, travel and accommodation arrangements, staff activities (i.e., planning days, functions, etc.) and the administrative support of the volunteer program.

**Facility activities**

Facility tasks include information technology support through liaison with external support staff (i.e., computer and telephone systems administration, software and hardware updates, data backup, database maintenance, etc.) as well as physical storage and archiving procedures. The Team is committed to an environmentally friendly office.



# **Financial Statement**

**1 July 2011 to 30 June 2012**

CONSUMER CREDIT LEGAL CENTRE (NSW) INC  
Financial Report for the Year Ended 30 June 2012  
ABN: 40 506 635 273

Your committee members submit the financial report of the Consumer Credit Legal Centre (NSW) INC (the Association) for the financial year ended 30 June 2012.

**Committee Members**

The names of committee members throughout the year and at the date of this report are:

Margaret Raffan, Chair  
Elissa Freeman, Deputy Chair  
Matthew Simpson, Treasurer  
Amy Kilpatrick  
Michael Saadat  
John Burke  
Paul Baker  
Karen Cox  
Nicola Sutton

**Principal Activities**

The principal activities of the Association during the financial year were the provision of legal services and financial counselling services in accordance with the Constitution.

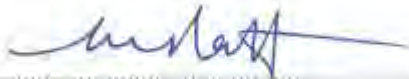
**Significant Changes**

No significant change in the nature of these activities occurred during the year.

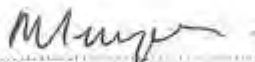
**Operating Result**

The Deficit amounted to \$91,824 for the financial year ended 30 June 2012.

Signed in accordance with a resolution of the Members of the Committee.



Margaret Raffan



Matthew Simpson

Dated this 7 day of October 2012

*Consumer Credit Legal Centre (NSW) Inc*

ABN: 40 506 635 273

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
		\$	\$
<b>INCOME</b>			
Grants	2	1,242,368	1,380,501
Other project income	4	19,815	88,010
Interest received		44,867	49,458
Other income	3	20,266	9,853
		<u>1,327,316</u>	<u>1,527,822</u>
<b>EXPENDITURE</b>			
Operating expense	5	196,169	185,386
Employees expense	6	1,135,447	1,158,486
Communications		44,629	47,776
Project expense		3,872	5,300
Insurance expense		5,278	4,648
Travel expenses		9,455	9,616
Depreciation		24,090	26,605
TOTAL EXPENSES		<u>1,418,940</u>	<u>1,437,817</u>
Current year surplus/ (deficit)		<u>( 91,624)</u>	<u>90,005</u>
Other comprehensive income		-	-
Total comprehensive income		<u>( 91,624)</u>	<u>90,005</u>

The accompanying notes form part of this financial report.

Consumer Credit Legal Centre (NSW) Inc

ABN: 40 506 635 273

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	2012	2011
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		715,532	771,370
Trade and other receivables	7	5,002	6,158
Prepayments		9,977	10,788
GST receivable		-	2,350
<b>TOTAL CURRENT ASSETS</b>		<b>730,511</b>	<b>790,666</b>
<b>NON-CURRENT ASSETS</b>			
Rental Bond		15,030	15,030
Financial assets		17,001	17,002
Property, plant and equipment	8	56,772	36,654
<b>TOTAL NON-CURRENT ASSETS</b>		<b>88,803</b>	<b>68,386</b>
<b>TOTAL ASSETS</b>		<b>819,314</b>	<b>859,052</b>
<b>CURRENT LIABILITIES</b>			
Grants received in advance	10	232,039	238,316
Employee Benefits	9	260,644	226,121
Other provisions	11	17,000	31,000
GST liabilities		7,388	-
Employee liabilities		35,798	28,627
Creditors & Accruals		45,987	22,906
<b>TOTAL CURRENT LIABILITIES</b>		<b>598,856</b>	<b>546,970</b>
<b>TOTAL LIABILITIES</b>		<b>598,856</b>	<b>546,970</b>
<b>NET ASSETS</b>		<b>220,458</b>	<b>312,082</b>
<b>MEMBERS' FUNDS</b>			
Reserves	12	25,292	25,292
Retained surplus	13	195,166	286,790
<b>TOTAL MEMBERS' FUNDS</b>		<b>220,458</b>	<b>312,082</b>

The accompanying notes form part of this financial report.



*Consumer Credit Legal Centre (NSW) Inc*

ABN: 40 506 635 273

STATEMENT OF CHANGES IN MEMBERS' FUNDS

AS AT 30 JUNE 2012

	Reserves \$	Retained surplus \$	Total Equity \$
Balance as at 1 July 2010	25,292	196,785	222,077
Surplus for the year	-	90,005	90,005
Total comprehensive income for the year	-	90,005	90,005
Balance as at 30 June 2011	25,292	286,790	312,082
Deficit for the year	-	(91,624)	(91,624)
Total comprehensive loss for the year	-	(91,624)	(91,624)
Balance as at 30 June 2012	25,292	195,166	220,458

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report is a special purpose financial report prepared in order to satisfy the financial reporting requirements of the *Associations Incorporation Act 2009*. The committee has determined that the Association is not a reporting entity.

The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following significant accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this financial report.

**a. Income Tax**

The Association is exempt from Income Tax in accordance with the provisions of the *Income Tax Assessment Act 1997*.

**b. Property, Plant and Equipment (PPE)**

Leasehold improvements and office equipment are carried at cost less, where applicable, any accumulated depreciation.

The depreciable amount of all PPE is depreciated over the useful lives of the assets to the Association commencing from the time the asset is held ready for use.

**c. Impairment of Assets**

At each reporting date, the Association reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed.

**d. Employee Benefits**

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Employee benefits have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

**e. Provisions**

Provisions are recognised when the Association has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the best estimate of the amounts required to settle the obligation at reporting date.

**f. Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments which mature within three months or less from the date of the end of financial year.

*Consumer Credit Legal Centre (NSW) Inc*

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

g. **Revenue**

Grant income, is recognised as revenue in the year to which the associated expenditure and grant funding agreement relates. Accordingly, this income received in the current year for expenditure in future years are treated as grants in advance.

Unexpended specific grant income at 30 June each year is disclosed as a liability in the accounts. The amount brought to account as income is equivalent to that amount expended by the Association during the financial year. Where surplus funds are required to be repaid, they will remain as a liability in the accounts until repayment.

Interest revenue is recognised using the effective interest rate method which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of Goods and Services Tax (GST).

h. **Leases**

Leases of property, plant & equipment, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Association, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

i. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Consumer Credit Legal Centre (NSW) Inc

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

<b>NOTE 2: GRANTS RECEIVED</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Commonwealth Attorney General-CLSP	140,883	138,528
State Attorney General-CLSP	129,896	126,356
Office of Fair Trading –Credit Counselling	194,702	183,612
Office of Fair Trading –Financial Counselling	364,533	343,769
Commonwealth Financial Counselling-FaHCSIA	164,500	94,500
Mortgage Hardship support Service –PPF	46,662	280,000
Commonwealth Grant –Insurance Law Service	71,192	70,000
State Grant –Insurance Law Service	130,000	130,000
Grants –bal b/f from Insurance Pilot Project	-	13,736
	<u>1,242,368</u>	<u>1,380,501</u>

<b>NOTE 3: OTHER INCOME</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Consultancy fees	1,141	1,867
Disbursements recovered	3,030	934
Legal Costs recovered	659	5,434
Sitting fees	1,436	1,436
Sundry Income	-	182
Provision for telephone upgrade	14,000	-
	<u>20,266</u>	<u>9,853</u>

<b>NOTE 4: PROJECT INCOME</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Grant -Bankruptcy Tool Kit	19,815	3,946
Grant -Credit Law Resources	-	79,576
Grant – for Web design and Develop data base	-	734
Grant –Insurance Pilot project (Vic Law foundation)	-	3,754
	<u>19,815</u>	<u>88,010</u>



*Consumer Credit Legal Centre (NSW) Inc*

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTE 5: OPERATING EXPENSES**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Financial Expenses	7,504	8,172
Library & Resources	14,098	10,202
Disbursements	5,115	5,384
Electricity	6,320	5,342
Cleaning	10,247	10,809
Rent	129,852	128,037
Rates & Outgoings	3,527	3,803
Signage	-	785
Repairs & Maintenance	189	940
Waste Removal	416	690
Office expenses	18,901	11,222
	<u>196,169</u>	<u>185,386</u>

**NOTE 6: EMPLOYEE RELATED EXPENSES**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Salaries	963,175	967,557
Superannuation	88,388	87,708
Accrued leave expense	58,259	75,001
Workers Compensation Insurance	4,350	4,743
Staff related expenses	21,275	23,477
Total employees expenses	<u>1,135,447</u>	<u>1,158,486</u>

Consumer Credit Legal Centre (NSW) Inc

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTE 7: TRADE AND OTHER RECEIVABLES**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Sundry debtors	718	-
Interest receivable	4,284	6,158
	<u>5,002</u>	<u>6,158</u>

**NOTE 8: PROPERTY, PLANT AND EQUIPMENT**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Computer Equipment –at cost	47,256	53,778
Accumulated depreciation	(40,772)	(46,404)
	<u>6,484</u>	<u>7,374</u>
Office Equipment – at cost	60,931	49,640
Accumulated depreciation	(22,581)	(34,056)
	<u>38,350</u>	<u>15,584</u>
Office furniture and equipment – at cost	23,763	23,121
Accumulated depreciation	(11,825)	(9,725)
	<u>11,938</u>	<u>13,396</u>
Total Plant and equipment	<u>56,772</u>	<u>36,354</u>

**NOTE 9: EMPLOYEE BENEFITS**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Provision for Annual Leave	121,879	105,832
Provision for Long service Leave	114,774	96,867
Provision for Parenting Leave	15,891	15,514
Provision for Sick Leave	8,100	7,908
Total Employee Benefits	<u>260,644</u>	<u>226,121</u>



*Consumer Credit Legal Centre (NSW) Inc*

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

<b>NOTE 10: GRANTS IN ADVANCE</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Mortgage Hardship support service	-	46,662
Sydney Water	62,000	-
Insurance Law Service	100,000	130,000
Bankruptcy Tool kit	70,039	61,654
	<u>232,039</u>	<u>238,316</u>

<b>NOTE 11: OTHER PROVISIONS</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Provision for Telephone upgrade	-	14,000
Provision for Make good	12,000	12,000
Provision for PI Insurance excess	5,000	5,000
	<u>17,000</u>	<u>31,000</u>

<b>NOTE 12: RESERVES</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Reserve for future projects	14,000	14,000
Reserve for office equipment	11,292	11,292
	<u>25,292</u>	<u>25,292</u>

<b>NOTE 13: RETAINED SURPLUS</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Balance b/f-tied	106,484	101,424
Balance b/f -untied	180,306	95,361
Current year surplus (tied)	-	6,531
Current year surplus (untied)	14,860	84,945
Current year deficit using previous years tied funds	(106,484)	(1,471)
Balance c/f-tied	-	106,484
Balance c/f untied	<u>195,166</u>	<u>180,306</u>

Consumer Credit Legal Centre (NSW) Inc

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$	\$
<b>NOTE 14: LEASING COMMITMENTS</b>		
<b>a. Operating Lease Commitments</b>		
Being for rent of office		
Payable — minimum lease payments:		
— not later than 12 months	129,852	54,105
— between 12 months and 5 years	183,957	-
— greater than 5 years	-	-
	<u>313,809</u>	<u>54,105</u>

The property lease is a non-cancellable lease with a three year term, with rent payable monthly in advance. The lease agreement will continue for the next three years without any rent increase. An option exists to renew the lease at the end of the lease term for an additional term.

**NOTE 15: RELATED PARTIES**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.



Consumer Credit Legal Centre NSW

(BN 42 994 0047)

FINANCIAL STATEMENTS OF THE COMMITTEE

The committee has determined that the Association is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

In the opinion of the Committee the financial report as set out on pages 1 to 11:

1. Presents a true and fair view of the financial position of Consumer Credit Legal Centre (NSW) Inc as at 30 June 2012 and its performance for the year ended on that date.
2. At the date of this statement, there are reasonable grounds to believe that Consumer Credit Legal Centre of (NSW) Inc will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the committee and is signed for and on behalf of the committee by:

Chair

Margaret Raffan

Treasurer

Matthew Simpson

Dated this    day of 17 / 10 / 2012



## PITCHER PARTNERS

ACCOUNTANTS, AUDITORS & ADVISORS

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### CONSUMER CREDIT LEGAL CENTRE (NSW) INC. INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONSUMER CREDIT LEGAL CENTRE (NSW) INC.

We have audited the accompanying financial report, being a special purpose financial report, of Consumer Credit Legal Centre (NSW) Inc. (the Association), which comprises the statement of financial position as at 30 June 2012, statement of changes in members' funds and the statement of comprehensive income for the year ended on that date, a summary of significant accounting policies and other explanatory information.

#### *The responsibility of those charged with governance*

The committee of the Association are responsible for the preparation of the financial report, and have determined that the basis of accounting described in Note 1, is appropriate to meet the reporting requirements of the *Associations Incorporation Act 2009* and is appropriate to meet the needs of the members. This responsibility also includes such internal control as the committee determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Independence*

In conducting our audit, we have complied with APES 110 *Code of Ethics for Professional Accountants*.

*Auditor's opinion*

In our opinion, the financial report of Consumer Credit Legal Centre (NSW) Inc. is in accordance with the *Associations Incorporation Act 2009*, including:

- (a) giving a true and fair view of the Association's financial position as at 30 June 2012 and of its performance for the year ended on that date;
- (b) complying with Australian Accounting Standards to the extent described in Note 1, and the *Associations Incorporation Regulation 2010*; and
- (c) that proper accounting records and other records have been kept as required by the Act.

In forming our opinion, we have obtained all the information and explanations required.

*Basis of Accounting*

Without modifying our opinions, we draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the committee's financial reporting responsibilities under the *Associations Incorporation Act 2009*. As a result, the financial report may not be suitable for another purpose.

PITCHER PARTNERS

MARK GODLEWSKI

Partner

Registered Company Auditor - 172348

Sydney, 22 October 2012