



**Submission by the
Financial Rights Legal Centre**

Australian Securities and Investments
Commission

National Financial Literacy Strategy Consultation
2017, October 2017

November 2017

About the Financial Rights Legal Centre

The Financial Rights Legal Centre is a community legal centre that specialises in helping consumer's understand and enforce their financial rights, especially low income and otherwise marginalised or vulnerable consumers. We provide free and independent financial counselling, legal advice and representation to individuals about a broad range of financial issues. Financial Rights operates the National Debt Helpline, which helps NSW consumers experiencing financial difficulties. We also operate the Insurance Law Service which provides advice nationally to consumers about insurance claims and debts to insurance companies. Financial Rights took close to 25,000 calls for advice or assistance during the 2016/2017 financial year.

Financial Rights also conducts research and collects data from our extensive contact with consumers and the legal consumer protection framework to lobby for changes to law and industry practice for the benefit of consumers. We also provide extensive web-based resources, other education resources, workshops, presentations and media comment.

This submission is an example of how CLCs utilise the expertise gained from their client work and help give voice to their clients' experiences to contribute to improving laws and legal processes and prevent some problems from arising altogether.

For Financial Rights Legal Centre submissions and publications go to www.financialrights.org.au/submission/ or www.financialrights.org.au/publication/

Or sign up to our E-flyer at www.financialrights.org.au

National Debt Helpline 1800 007 007
Insurance Law Service 1300 663 464
Aboriginal Advice Service 1800 808 488

Monday – Friday 9.30am-4.30pm

Introduction

Thank you for the opportunity to comment on the National Financial Literacy Strategy Consultation 2017.

From 'financial literacy' to 'financial capability'

P1.1. Do you agree with this proposal?

Yes. We support using the phrase financial capability as it connotes a more empowered, active consumer with the ability to implement learned skills and knowledge.

Core financial capability behaviours

P3.1 Do you agree with this proposal

Financial Rights agrees with including the three new core behaviours identified: managing money day-to-day; planning for the future; and making informed decisions. These are sound additions to the National Strategy.

Financial Rights particularly supports the inclusion of "making informed decisions."

For some time, Financial Rights has seen first hand the destructive impact for-profit budgeting services and other predatory debt management businesses can have on financially vulnerable Australians. Many of these companies and their products and services present themselves as, simple and hassle-free options, often misrepresenting or failing to highlight their for-profit, and therefore highly conflicted nature.

This has been exacerbated by the sharp increase in the use of digital technology to access information about financial services and solutions to debt issues. With increased manipulation of algorithms to boost their presence on search engine results, combined with large online advertising spends spruiking "cheap," "fast" and "easy" solutions to complex problems, free, independent and impartial sources of information are losing in the battle to be the first port of call for those seeking assistance or information. Under-funded financial counselling services, legal centres, and financial inclusion organisations are struggling to compete for "eye-share" in an attention-based economy where a single ad-click on Google Adwords can cost over \$20 each.

This is a problem that will only increase in the near to medium future as internet-based advertising and the use (and misuse) of big data will only serve to increase individually targeted advertising strategies, further confusing people's ability to seek out impartial and independent information. With open banking and the so-called FinTech "revolution" just around the corner consumers hoping to keep a track of their money, budget better and manage their finances will

find themselves trapped in apps seeking solutions within the walled garden, rather than outside.

Priority audiences

P3.1 What are the most important priority audiences for the 2018 National Strategy to focus on?

Financial Rights supports the audiences that ASIC have already identified:

- Indigenous Australians
- People from culturally and linguistically diverse backgrounds
- Pre-retirees and seniors
- Women
- People with a disability
- People in newly-arrived communities
- Sole parents

Financial Rights would however add two further cohorts that require particular attention. The first are those people who for any number of reasons have received a lump sum compensation. These people span a number of demographics but can include those who

- Receive large workers compensation payouts,
- Total and Permanent Disability payouts
- Compensation arising out of systemic processes such as Class Actions and Royal Commissions (for example, the recent royal commission into institutional responses to child sexual abuse).

These people tend to be financially vulnerable in the first place and find themselves in situations that make them particularly susceptible to exploitation.

The second cohort are those Australians who are receiving social security payments, particularly those who receive social security payments over long periods of time, sometimes for the rest of their lives. These are the most financially vulnerable people in Australia and can find themselves making decisions that do not serve their best interests because of either the complexities of the financial system, financial exclusion generally or they find themselves prey to predatory behaviour.

Emerging opportunities and challenges

D3.2 Are there issues that might require greater emphasis in the 2018 National Strategy?

Financial Rights supports the inclusion of Financial Inclusion as a key issue for the 2018 National Strategy to tackle. We are particularly interested in seeing strategies for addressing financial inclusion for consumers regarding insurance products. Through our work operating the Insurance Law Service we have seen countless examples of the devastating financial consequences for people who cannot afford insurance protecting them from liability to third parties in car accidents or protecting their homes from total loss events.

D3.3 What are the potential challenges to be considered in the 2018 National Strategy?

Financial Rights supports the inclusion of “social isolation” as a key challenge for the 2018 National Strategy. We however believe that particular focus needs to be placed on the growth of “digital isolation” as a problem in and of itself, brought on by a mix of digital ubiquity, the rise of FinTechs and the retreat of individual consumers into private, hidden, digital spaces.

Consumers are increasingly engaging with financial services via technology, be it desktop computing, tablets or smart phones. Levels of distrust in financial technology seem to be dissipating leading to serious challenges in terms of financial literacy, the provision of free and independent advice and the growth of predatory financial services and behaviour.

Previously, attempts to engage consumers through, say, advertising was largely a public, open phenomenon through the use of mass media such as television, print or radio. Now, advertising is becoming highly personalised, targeted and directed at individuals. Consumers receive significant amounts of advertising via a number of personal digital spaces including:

- individually designed and algorithmically curated, social media feeds (Facebook, Twitter etc),
- individually targeted advertising via remarketing based on our tracked online behaviour (ie the ads that follow you around from website to website) and
- targeted advertising via email, text or apps, that access your online behavior to advertise to you at the exact right times.

This is leading to the situation that people are only seeing advertising created just for them, which outsiders such as family, friends, trusted advisors and other people cannot see, nor access. For consumer advocates, financial counsellors and other representatives fighting the misinformation and manipulative messages of say debt vultures or pay day loans and consumer lease providers will become infinitely more difficult.

As an example of how this is increasingly becoming a problem, a person who uses a pay day loan once will be targeted for more pay day loans via the advertising on their browser as well

as text, email or other forms of spam. Given the ease, speed and inherently private nature of applying for a new loan on an app, the usual social cues and hurdles that would work to potentially stop someone from accessing further predatory finance are simply no longer there. As someone falls further and further into the spiral of debt and shame, people will retreat further into the private sphere using their mobile phones away from other people (family and friends) only serving to exacerbate the problem over time.

Financial Literacy as part of a broader consumer protection response

It is important to recognise that financial literacy exists within a spectrum of consumer protection strategies, including regulation (and co-regulation) of products and conduct, and enforcement activity. In some cases we observe considerable effort and resources expended in fruitless educational activity when the core problem is actually one of poor product or service design or exploitative business models and/or poor conduct. We note the strong emphasis by Financial Literacy Australia, for example, on requiring rigorous evaluation of financial literacy projects to ensure they are effective and that key learnings are accumulated across the field rather than lost. We submit that the National Strategy should also build in pathways by which feedback flows to policy makers where it is apparent that financial literacy efforts are ineffectual in the face of pervasive behavioural biases, faulty product or service design, or persistently problematic market conduct.

Concluding Remarks

Thank you again for the opportunity to comment. If you have any questions or concerns regarding this submission please do not hesitate to contact Financial Rights on (02) 9212 4216.

Kind Regards,



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