



# Submission to the Australian Banking Association's Every Customer Counts: Better banking for vulnerable customers

Good Shepherd Australia New Zealand and Good Shepherd Microfinance

May 2019



**Key contact and co-author:**

Ms Helen Forster  
Policy & Research Specialist  
Good Shepherd Australia New Zealand  
Phone: 03 8412 7313  
Email: [helen.forster@goodshep.org.au](mailto:helen.forster@goodshep.org.au)

**Key contact and co-author:**

Ms Carolyn Nikoloski  
Head of Stakeholder Engagement  
Good Shepherd Microfinance  
Phone: 03 9495 9604  
Email: [CNikoloski@gsmicrofinance.org.au](mailto:CNikoloski@gsmicrofinance.org.au)

© 2019

## About Good Shepherd Australia New Zealand

Good Shepherd Australia New Zealand was established to address the critical, contemporary issues facing women, girls and families. We work to advance equity and social justice, and to support our communities to thrive. We aspire for all women, girls and families to be safe, well, strong and connected.

A central part of our purpose is to challenge the systems that entrench poverty, disadvantage and gender inequality. The Women's Research, Advocacy and Policy (WRAP) Centre does this through a range of research, policy development and advocacy activities.

## About Good Shepherd Microfinance

Good Shepherd Microfinance is a subsidiary of Good Shepherd Australia New Zealand. Good Shepherd Microfinance's purpose is to enable financial inclusion and resilience for people on low incomes, especially women, girls and families. Good Shepherd Microfinance is Australia's largest microfinance organisation and offers a range of safe, fair and affordable financial products and services for people on low incomes, which benefit over 50,000 people each year.

Good Shepherd Microfinance is delivered through a unique partnership, which brings together the Commonwealth and State and Territory governments; the corporate sector, including our major partner NAB; and the community sector, which delivers services in over 600 locations nationwide.

## Contents

About Good Shepherd Australia New Zealand .....	2
About Good Shepherd Microfinance .....	2
Contents.....	3
Executive summary.....	5
1. Introduction .....	6
2. Background and framework of guideline .....	9
4.1.3 Consultation Question: Do you agree with our proposal to use these Guiding Principles to underpin the Guideline? .....	9
3. Communications.....	9
5.2 1) Consultation Question: Are there any additional issues relating to 'vulnerability' that should be considered in a definition of vulnerability? .....	9
5.2 2) Consultation Question: Are there other terms in this context which you think would benefit from an agreed definition, for example "extra care"?.....	11
5.3.2 1) Consultation Question: Do you support the proposal that the Guideline should commit banks to make available an easy to understand explanation of their commitment to vulnerable customers? .....	12
5.3.2 2) Consultation Question: Do you have any additional suggestions about what else this document should include?.....	12
5.3.2 3) Consultation Question: What practical measures or examples should be included in these protocols? .....	13
4. Product and service design .....	13
6.1.2 Consultation Question: Do you think practical measures for considering vulnerable customers in product design should be incorporated in the Guideline? If yes, do you have any suggestions about what these measures could be? .....	13
6.3 1) Consultation Question: Where a customer is identified as potentially being vulnerable, what actions should banks take (i.e. what would constitute "extra care")? .....	14
6.3 2) Consultation Question: What ethical and privacy issues should banks consider where deploying data analysis techniques to proactively identify customers who may be vulnerable? 14	
5. Data and systems .....	15
7.1.2. 1) Consultation Question: Should banks, with the explicit permission of customers, record vulnerabilities that banks discover or customers disclose in their internal records e.g.	

through flags / notes in the internal bank system? If yes, how should banks use that information? ..... 15

7.1.2 2) Consultation Question: How should banks balance the desire to support customers fully and ensure they don’t have to repeat their story, with the customer’s right to privacy?..... 15

7.1.2. 3) Consultation Question: Should banks ask customers questions when they open an account whether the customer identifies as Aboriginal or Torres Strait Islander?..... 16

7.1.2. 4) Consultation Question: Are there any other questions banks should ask customers when they open an account to assess if they may be at risk of being vulnerable? ..... 16

6. Staff training ..... 16

8.2.2 1) Consultation Question: Do you agree with inclusion of the proposed provision in the Guideline? ..... 17

8.2.2 2) Consultation Question: Do you think any additional guidance or provisions for staff training should be included in the proposed Guideline? ..... 17

7. Other ..... 17

9.2.2 1) Consultation Question: Do stakeholders support the implementation of the recommendations of the Australian Law Reform Commission relating to power of attorney reforms, a national register and an organisation to investigate ‘good faith’ reports of financial abuse?..... 18

9.2.2 2) Consultation Question: Do you agree with our proposed inclusions relating to third party authorisation forms in the Guideline? ..... 18

9.2.2 3) Consultation Question: Are there any changes or additional commitments relating to third party authorisation forms which you think should be included in the Guideline?..... 18

9.3.1. 1) Consultation Question: Should collections arrangements be included in this Guideline? ..... 18

9.3.1. 2) Consultation Question: If yes, what do you think are the appropriate parameters that should be applied to collections arrangements for vulnerable customers? ..... 18

9.3.1 3) Consultation Question: If yes, should these arrangements be applied to all categories of vulnerable customers? ..... 19

9.4.1 Consultation Question: Do you support including industry level guidance on preventing scams in the Guideline?..... 19

8. Conclusion ..... 20

## Executive summary

We welcome the Australian Banking Association's *Every Customer Counts: Better banking for vulnerable customers* consultation on the development of a Guideline to complement the new Banking Code of Practice. The proposed principles to inform the Guideline are sound and respond to several recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission).

In finalising the Guideline, we recommend the ABA:

- Includes more detail on definitions, including how vulnerable customers will be identified and responded to in practice.
- Considers family violence as a distinct and far-reaching form of vulnerability.
- Clarifies the consequences of breaching the Code, including how breaches will be identified.
- Supports the Australian Securities and Investments Commission to have a strong role in maintaining consumer protections and enforcing laws.
- Supports the view that banking is an essential service. As such it is important that there are minimum standards and services available for everyone in the community, and that these are supported by strong regulatory requirements.
- Requires all data collection and use to be in the best interests of the customer.
- Develops and implements an accompanying implementation plan, to ensure that the Guideline results in practice change within banks, and better outcomes for vulnerable customers. The Guideline and implementation plan should support banks to:
  - Have easy to understand explanations of their commitments to vulnerable customers.
  - Develop and use common referral pathways and protocols for working with external support services, to ensure that customers are accessing the right support at the right time. This should include referrals to safe, fair and affordable financial products and services, such as GSANZ's financial counselling services and the Firmer Foundations™ program, and GSM's No Interest Loans Scheme (NILS).
  - Provide sufficient resourcing for staff training and capacity building.
  - Use best practice human-centred design principles in developing their products and services.
  - Appoint relationship managers to vulnerable customers, and ensure they are equipped with the relevant knowledge and skills to support vulnerable customers.
  - Proactively help vulnerable customers.
  - Provide clear and transparent collections arrangements for all customers. For vulnerable customers, it is recommended that debt arrangements are not sold on to third parties.

## 1. Introduction

We welcome the Australian Banking Association (ABA) consultation on better banking for vulnerable customers, as it is an opportunity to highlight the issues we see in our daily work with vulnerable and disadvantaged members of the community. Good Shepherd Australia New Zealand (GSANZ) and Good Shepherd Microfinance (GSM) share a common purpose to challenge systems that entrench poverty, disadvantage and gender inequality, especially for women, girls and families. Examples of our previous research and advocacy in this area include *Restoring Financial Safety: Legal Responses to Economic Abuse* and *Economic Security for Survivors of Domestic and Family Violence: Understanding and Measuring the Impact*.<sup>1</sup>

In relation to banking reform undertaken in the United Kingdom, it was noted that “there seems to be a general view that there is a utility element to retail banking. As with water and electricity, in a modern economy we believe that all citizens should be fully connected to the credit and payments systems”.<sup>2</sup> When banks are viewed as an essential service in this way, it is incumbent on the banking sector to establish minimum standards and services available for everyone in the community. People on low incomes are often struggling to make ends meet; without affordable and appropriate financial supports and services people are unable to live life with dignity, which can lead to social and economic exclusion.<sup>3</sup> Low income earners and other vulnerable groups are part of the reason we need the banking sector to ensure that all customers can access appropriate, suitable and fair banking services and support.

Our commentary in this submission is informed by consultations with financial counsellors and other practitioners within our services, which provide insight into the lived experience of clients. Many of our clients are vulnerable due to complex forms of disadvantage such as low income, poor physical and/or mental health and experiences of family violence. For these clients, structural barriers to access appropriate and suitable banking products are compounded.

The following case study<sup>4</sup> demonstrates that vulnerability can happen to anyone at any time, and indicates where banks can do better in the future:

---

<sup>1</sup> Camilleri, O., Corrie, T. and Moore, S. (2015). *Restoring Financial Safety: Legal responses to economic abuse*. Abbotsford: Good Shepherd Australia New Zealand. Retrieved from <https://www.goodshep.org.au/media/1220/restoring-financial-safety-legal-responses-to-economic-abuse-web.pdf> and Corrie, T. (2016). *Economic Security for Survivors of Domestic and Family Violence: Understanding and Measuring the Impact*. Abbotsford: Good Shepherd Australia New Zealand. Retrieved from [https://www.goodshep.org.au/media/1421/financial-security-for-survivors-of-domestic-and-family-violence\\_march2016.pdf](https://www.goodshep.org.au/media/1421/financial-security-for-survivors-of-domestic-and-family-violence_march2016.pdf)

<sup>2</sup> Greenham, T. (2016, February 22). Banks should serve the real economy: How? Power to Persuade. Retrieved from <http://www.powertopersuade.org.au/blog/dxm1iz0zfz0ibsoemb0y0xty4dmhfx/20/3/2016?rq=economic>

<sup>3</sup> Tennant, D. and Maury, S. (2018, April 23). Financial inclusion, basic bank accounts, and the Cashless Debit Card. Power to Persuade. Retrieved from <http://www.powertopersuade.org.au/blog/financial-inclusion-basic-bank-accounts-and-the-cashless-debit-card/23/4/2018?rq=financial%20inclusion%20basic%20accounts>

<sup>4</sup> Reference to this case study and Financial Services Providers have been de-identified, including the omission of some information, to protect identities.

### Case Study – Vulnerable Clients

*Joan and Daniel were customers of one of the top four banks for more than 20 years and never defaulted on mortgage payments. Their level of income and borrowings were high and the bank appointed a Relationship Manager to provide personal assistance with any of their banking needs.*

*In 2015 their apartment which was mortgaged with the bank was destroyed by fire, and the building became uninhabitable.*

*The insurer was not prepared to honour the insurance policy which covered the building. Daniel was the Chair of the Owners Corporation and had to coordinate activities and negotiations between the insurer and all owners. Joan as the only lawyer living in the building spent huge amounts of time assisting Daniel.*

*The Owners Corporation took the insurer to the Supreme Court of Victoria and won. This was approximately 2 years after the fire. Several days after the Supreme Court trial, Daniel suffered a heart attack and required open heart surgery.*

*About 12 months after the fire, Joan became unwell as a result of the stress of the fire and dealing with the insurer and had to cease work. Joan had been the primary income earner and as a result of stopping work, they fell into financial hardship. Joan remained unable to work for almost 2 years.*

*They sought and obtained a financial hardship package from the bank about 12 months after the fire which had to be extended or varied at regular intervals. Each time the package had to be extended or varied, Joan and Daniel would be required to have lengthy telephone conversations with the bank's financial hardship staff, and deal with different staff on each occasion. There did not appear to be any notes kept of their situation and Joan and Daniel had to repeat the whole story from the beginning.*

*The bank asked for a medical certificate of Joan's illness, which Joan refused to provide. It was clear from their income that Joan was not working and it should have been clear to anyone that the above circumstances would be traumatic and very likely have a negative impact on a person's health.*

*Ironically after Joan commenced work with a high salary and they were able to resume their usual mortgage repayments and end the financial hardship package, the bank contacted them to advise that a new Relationship Manager had been appointed for them.*

*They would have benefited far more from having a Relationship Manager working with them throughout their financial difficulties and while they were vulnerable. Such a Relationship Manager would have been familiar with their case and would not have required them to repeat their traumatic story each time to a new person. The Relationship Manager would also have been able to suggest other ways to reduce costs and to ensure that the arrangements made by the bank were the most suitable available.*

*Any assistance from the bank should have been much easier to obtain, and the process for obtaining that assistance should not have compounded their trauma.*

From this one case study it is evident that 'vulnerability' can be experienced by anyone, be it short or long term. It underscores the importance of having one point of contact such as a relationship manager at the right time to: assist and potentially minimise financial difficulties; store/record significant information in a centralised point for relevant staff to access; and if required,

coordinate with other services and authorities, to improve the customers' circumstances and experiences in accessing support.

An inclusive and more holistic approach to supporting vulnerable customers, as outlined by the ABA's Consultation Paper, is clearly needed. As the Financial Rights Legal Centre notes:

We've seen irresponsible lending leaving people in such financial hardship they turn to payday loans, junk add-on insurance being sold to people who could never claim on it [and] seen accounts of vulnerable people, including Aboriginal and Torres Strait Islander people, being drained because of bank fees when fee-free products exist.<sup>5</sup>

The proposed principles which will inform the new ABA Guideline are sound and are relevant to the aforementioned issues. However, a key concern is how the Guideline will be implemented; it is important that the Guideline informs sustained practice change within banks. As with all significant practice change this will involve cultural change from the top down. Similarly, the ABA's Code and Guideline must be supported by strong regulatory requirements. There must be clear processes guiding how breaches are identified and what the consequences for breaching will be.

GSANZ's submission to the *Senate Inquiry: Resolution of disputes with financial service providers within the justice system* canvasses issues of fairness and justice for vulnerable customers in cases of breaches by banks.<sup>6</sup> This submission provides several case studies of banks not meeting community standards and the subsequent lack of accountability and efficacy under the system.

Our financial counsellors have also reported that poorly handled complaints and hardship applications are a common occurrence with banks. Having only been in operation since late 2018, we are yet to see whether the Australian Financial Complaints Authority (AFCA) will be able to effectively respond to customer complaints. Our Senate Inquiry submission outlines some of the potential aspects of AFCA (such as a means for people to avoid the complexities of going through the courts) as well as the shortcomings. As one financial counsellor reflected: "AFCA still needs more power to be able to create a more level playing field for the vulnerable and disempowered". We would also add that the Australian Securities and Investment Commission (ASIC) has an important role to play in enforcing consumer protection laws for financial products and services.

The following sections respond in more detail to several of the Consultation Paper's questions.

---

<sup>5</sup> Consumer Action Law Centre, Financial Legal Rights Centre and Financial Counselling Australia (2018). New Banking Code must have teeth: consumer groups. Media release, 1 August 2018. Retrieved from <https://consumeraction.org.au/new-banking-code-must-have-teeth-consumer-groups/>

<sup>6</sup> Forster, H. (2019). Submission to the Senate Legal and Constitutional Affairs References Committee Inquiry: Resolution of disputes with financial service providers within the justice system, 1 March 2019. Retrieved from [https://www.goodshep.org.au/media/2328/gsanx-submission-to-inquiry-into-disputes-with-financial-service-providers\\_20190307.pdf](https://www.goodshep.org.au/media/2328/gsanx-submission-to-inquiry-into-disputes-with-financial-service-providers_20190307.pdf)



## 2. Background and framework of guideline

### **4.1.3 Consultation Question: Do you agree with our proposal to use these Guiding Principles to underpin the Guideline?**

We support the use of the proposed Guiding Principles to underpin the new Guideline.

While the Guiding Principles as set out in the Consultation Paper are sound, there are other issues that need to be addressed. The Australian Government's response to the Royal Commission states: "too often the conduct within our financial institutions has been in breach of existing laws and fallen well below community expectations".<sup>7</sup>

Further detail of how the Guideline and existing framework will be regulated is needed. With an already significant body of self-regulation and policies in place and a forthcoming Guideline, the remaining issue of proper implementation and accountability need to be addressed, so that the mistakes of the past are not repeated. If the Guideline is unknown or not enforced,<sup>8</sup> it is the role of effective regulation to ensure that it and other guiding frameworks are being used.

Another consideration is how the Guiding Principles will intersect with the banks' profit motive. It is crucial that profitability does not outweigh the imperative of supporting vulnerable customers.

## 3. Communications

### **5.2 1) Consultation Question: Are there any additional issues relating to 'vulnerability' that should be considered in a definition of vulnerability?**

While we agree with the ABA that any definition of vulnerable customers should be sufficiently broad to ensure it does not exclude any customer who should be included, the breadth of the term "any other personal, or financial, circumstance causing significant detriment" will make implementation difficult. It is recommended that further guidance is provided on what the definition means.

It is recommended that the definition of 'vulnerability' should also include financial hardship due to job loss; people with language and communication difficulties (e.g. speech or hearing impairment); people who require an interpreter (which raises the issue of who pays for the service, and whether it relies on the customer ringing the interpreter services or whether the bank initiates

---

<sup>7</sup> The Treasury. (2019). *Government Response to the Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*. Canberra: Commonwealth of Australia. Retrieved from <https://treasury.gov.au/publication/p2019-fsrc-response>

<sup>8</sup> See discussion in Corrie, T. (2015). Submission to the Senate Standing Committees on Economics: Inquiry into matters relating to credit card interest rates. Retrieved from <https://www.goodshep.org.au/media/1246/credit-card-submission-10082015-final.pdf>

the contact); and people who have experienced some form of trauma (e.g. death of immediate family member, assault), which may mean they have a reduced income. It is also important to consider the ways in which different forms of vulnerability intersect with each other, or with particular individual characteristics or life circumstances (such as the case study cited in the Introduction). Banks should particularly focus on better supporting customers who experience long-term vulnerability and disadvantage, as the current approach generally responds through shorter-term hardship packages.

As organisations who advocate for women and children, we recognise the far-reaching impact of family violence. As outlined in GSA NZ's *Submission to the Finance and Public Administration References Committee - Domestic Violence and Gender Inequality*, these impacts include structural gender inequality, the trajectory of disadvantage for girls, the cost of family violence, and the intersection of culture and other factors.<sup>9</sup>

The impacts of family violence are underscored by the breadth of behaviour that constitutes family violence. The *Family Violence Protection Act 2008* (Vic) states family violence is behaviour including physical or sexual abuse; emotional or psychological abuse; economic abuse; threats; coercion; or in any other way controls or dominates the family member and causes that family member to feel fear for the safety or wellbeing of that family member or another person; or behaviour by a person that causes a child to hear or witness, or otherwise be exposed to the effects of, the aforementioned behaviour. With this complexity in mind, we recommend that family violence should be given special consideration.

There is reference in the Consultation Paper to how banks might behave in relation to Aboriginal and Torres Strait Islander customers in remote communities, and cultural awareness is included under staff training. We would additionally recommend cultural awareness training to meet the needs of customers in metropolitan and regional communities given the majority of Aboriginal and Torres Strait Islander people live in these areas.<sup>10</sup> The concepts of cultural safety and cultural competence are also relevant. These concepts are common in the health sector, where they relate to the ability of systems to meet the needs of clients, moving beyond enhanced sensitivity to difference as a first step ("cultural awareness") and toward safe and empowering service outcomes for clients ("cultural safety").<sup>11</sup> A greater exploration of issues for multicultural communities in definitions of vulnerability would also enhance the Guideline.

---

<sup>9</sup> Lay, Y. (2016). Submission to the Finance and Public Administration References Committee Inquiry into Domestic Violence and Gender Inequality. April 2016. Retrieved from [https://www.goodshep.org.au/media/1427/gsan\\_z\\_domestic-violence-and-gender-inequality-submission\\_20160408.pdf](https://www.goodshep.org.au/media/1427/gsan_z_domestic-violence-and-gender-inequality-submission_20160408.pdf)

<sup>10</sup> Australian Bureau of Statistics. (2018). Estimates of Aboriginal and Torres Strait Islander Australians, June 2016. Cat. No. 3238.0.55.001. Canberra: ABS. Retrieved from <https://www.abs.gov.au/ausstats/abs@.nsf/mf/3238.0.55.001>

<sup>11</sup> See for example National Aboriginal and Torres Strait Islander Health Workers Association. (No date). Cultural Safety Framework. Retrieved from [https://www.natsihwa.org.au/sites/default/files/natsihwa-cultural\\_safety-framework\\_summary.pdf](https://www.natsihwa.org.au/sites/default/files/natsihwa-cultural_safety-framework_summary.pdf)

It is important that the Guideline aligns with, and builds on, other work undertaken across the essential services sector to define and support people who are vulnerable. This could include, for example, the recent work of the Thriving Communities Partnership<sup>12</sup> and Financial Counselling Australia.<sup>13</sup>

While it is well recognised that it is not the role of banks to solve a customer's underlying problem, it is important that banks collaborate with other organisations to ensure they are consistently helping their customers. Banks exist in an ecosystem involving many stakeholders, including utility providers, community services organisations, health providers and communities themselves. Ensuring multi-stakeholder and collaborative approaches are adopted will lead to better outcomes for individuals and families. This could build on the approach adopted by the Financial Inclusion Action Plan (FIAP) Program, in which organisations commit to practical strategies to improve financial inclusion.<sup>14</sup> Many ABA members are already part of the FIAP Program, and the ABA is on the FIAP Advisory Group.

## **5.2 2) Consultation Question: Are there other terms in this context which you think would benefit from an agreed definition, for example "extra care"?**

We support the ABA's definition of vulnerability as included in Chapter 14, section 38 of the Code and the proposed amendments made by the Royal Commission Recommendation 1.8. Additionally, we highlight the ABA's reference to the United Kingdom's Financial Conduct Authority, in that a vulnerable customer is "...someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care".<sup>15</sup> Here there is an implication of onus of responsibility placed with the bank. Furthermore, the ABA's Code refers to "helping" their customers.

"Extra care" should be defined with practical examples provided to illustrate what this concept can include. It is likely that banks and the community sector will adopt different interpretations of the extent and type of support provided through "extra care", so it is important that there is a common understanding. The ethos put forward by the proposed definition and language around vulnerable customers should mean banks proactively take responsibility to genuinely render assistance for those cases requiring "extra care". That is, agreed definitions of "extra care" should be informed

---

<sup>12</sup> See for example Thriving Communities Partnership. (2016). Vulnerability Roundtable 2016. Retrieved from <https://thriving.org.au/files/Vulnerability%20Round%20Table%202016%20%28PDF%206MB%29.pdf> and City West Water, South East Water, Western Water and Yarra Valley Water. (2014). Vulnerability and Hardship Customer Industry Guidelines. Retrieved from

[https://thriving.org.au/files/Water%20Industry%20guidelines\\_vulnerability%20%26%20hardship%20customers.pdf](https://thriving.org.au/files/Water%20Industry%20guidelines_vulnerability%20%26%20hardship%20customers.pdf)

<sup>13</sup> See Financial Counselling Australia. (2018). Submission to Senate Standing Committees on Economics Inquiry into credit and financial services targeted at people in financial hardship, November 2018. Retrieved from: <https://www.financialcounsellingaustralia.org.au/docs/submission-1-on-senate-inquiry-into-credit-and-financial-services-targeted-at-people-in-financial-hardship/>

<sup>14</sup> See information on the Financial Inclusion Action Plan Program here:

<https://goodshepherdmicrofinance.org.au/services/financial-inclusion-action-plans-fiap/>

<sup>15</sup> Financial Conduct Authority. (2015). *Consumer Vulnerability*. Occasional Paper No. 8. February 2015. Retrieved from <https://www.fca.org.uk/publication/occasional-papers/occasional-paper-8-exec-summary.pdf>

by the spirit of the objective to help and support vulnerable customers, and not simply apply a tick-a-box approach.

**5.3.2 1) Consultation Question: Do you support the proposal that the Guideline should commit banks to make available an easy to understand explanation of their commitment to vulnerable customers?**

We support the proposal that banks make available an easy to understand explanation of their commitments to vulnerable customers.

Plain language and specialised resources are needed for many cohorts of vulnerable people, and in many instances these already exist. However, vulnerable customers need to know about them or be able to easily find them. It is important that plain language versions of the Guideline are promoted, and that the format of the information and the distribution channels align with the communication preferences of the target audience. Staff and banking processes/systems must work effectively to identify customers who need assistance to be connected in a timely way to appropriate information and support.

**5.3.2 2) Consultation Question: Do you have any additional suggestions about what else this document should include?**

It is important that the information is provided to people when they are making decisions, providing 'just in time' information, rather than 'just in case' information.

Guideline content should include a list of available support services, such as GSANZ's financial counselling services and the Firmer Foundations™ financial capability and coaching program, and GSM's No Interest Loans Scheme (NILS).<sup>16</sup> Banks should be supported to make referrals to these programs as part of day-to-day business, as they have been demonstrated to improve financial inclusion and economic outcomes. Programs such as Firmer Foundations™ have also had a range of positive outcomes, via a family violence informed approach, to support women build their knowledge and skills.<sup>17</sup>

---

<sup>16</sup> For information on GSANZ's Financial Counselling services see <https://www.goodshep.org.au/find-a-service/financial-support/> and for information on GSM's No Interest Loans Scheme see <https://nils.com.au/>

<sup>17</sup> Planigale, M., Clapp, C. and Rosauer, K. (2016). *Quietly Changing Lives: Summary Report of the Firmer Foundations Evaluation*. Melbourne: Lirata Ltd. Retrieved from <https://www.goodshep.org.au/media/1644/firmer-foundations-2016-summary-report-final.pdf>

### **5.3.2 3) Consultation Question: What practical measures or examples should be included in these protocols?**

In addition to providing information on available support services, it would be useful if common referral pathways are developed that banks can use to ensure that customers are accessing the right support at the right time.

## **4. Product and service design**

Good design is critical to vulnerable customers being able to access fair and affordable financial products and services.

### **6.1.2 Consultation Question: Do you think practical measures for considering vulnerable customers in product design should be incorporated in the Guideline? If yes, do you have any suggestions about what these measures could be?**

It is important that the Guideline includes practical measures on how to meet the needs of vulnerable customers in the design of products and services. This could include a 'toolkit' for banks to use on how to design specific products that respond to the needs of vulnerable customers; and how to embed best-practice approaches into the design of all products and services, to ensure that people who may experience vulnerability in the future are protected and supported.

The toolkit should be based on human-centred design principles, and focus on:

- How to understand the needs of vulnerable customers, and what impact this has on their use of financial products and services (e.g. market research, in-depth focus groups).
- How to consult with the community in the design of products and services (e.g. community advisory groups informing design, testing of products).
- How to monitor the use and impact of products and services (e.g. how to identify whether people are on a product or service that meets their needs, number of products used compared with total number of people eligible, complaints and compliments, how to demonstrate that the product design and use responds to the customer's needs).
- How to improve the design and use of products and services (e.g. quality improvement cycles, increasing product reach).

Product design could also be improved by expanding the current 'Principles for Design' to include:

- **Harm minimisation** - many products and services can have a negative impact on vulnerable people if they are not used as intended (for example, 'buy now, pay later' schemes). It is critical that banks minimise harm to all customers, by considering the needs of different

customer groups; how they could use a product; potential negative unintended consequences of the product; and how these consequences could be prevented.

- **Community consultation** - community consultation should be embedded into the design process, with banks publicly reporting on community consultation methods and outcomes.

### **6.3 1) Consultation Question: Where a customer is identified as potentially being vulnerable, what actions should banks take (i.e. what would constitute “extra care”)?**

Banks should support vulnerable customers by providing them with a relationship manager. This will ensure that the bank understands and responds to a customer's specific needs. The relationship manager should be specifically trained to understand the needs of vulnerable customers, and would be responsible for:

- Ensuring that the customer is using the most appropriate products and services that meet their needs (for example, moving to no-fee accounts).
- Providing a central point of contact for the customer, to ensure that they do not have to repeat their story.
- Linking the customer into other available support services and collaborating with others in the ecosystem, to better support common clients such as the partnerships being developed via the Financial Inclusion Action Plan program.<sup>18</sup>
- Up-skilling other staff to better understand and respond to the needs of vulnerable customers.

### **6.3 2) Consultation Question: What ethical and privacy issues should banks consider where deploying data analysis techniques to proactively identify customers who may be vulnerable?**

Proactively identifying customers who may be vulnerable can significantly improve the experience of vulnerable customers by ensuring that they receive support as soon as possible.

Obtaining genuine consent from customers in relation to data collection and sharing is critical. Research undertaken by the Consumer Policy Research Centre shows that the majority of Australian consumers do not fully understand what types of information are being collected and shared about them, and experience barriers to reading Privacy Policies and other terms.<sup>19</sup>

---

<sup>18</sup> For information on the Financial Inclusion Action Plan program, see [fiap.org.au](http://fiap.org.au)

<sup>19</sup> Nguyen, P and Solomon, L. (2018) *Consumer data and the digital economy: Emerging issues in data collection, use and sharing*. Melbourne: Consumer Policy Research Centre. Retrieved from [https://cprc.org.au/wp-content/uploads/Full\\_Data\\_Report\\_A4\\_FIN.pdf](https://cprc.org.au/wp-content/uploads/Full_Data_Report_A4_FIN.pdf)

It is important that banks collect and use data in the best interests of the customer and consistently with best practice information privacy obligations. All collected data should remain onshore.

## 5. Data and systems

Effective data and systems are critical for proactively supporting vulnerable customers. There is an ongoing need to balance an individual's right to privacy, with the opportunity to better support someone by having access to important information.

### **7.1.2. 1) Consultation Question: Should banks, with the explicit permission of customers, record vulnerabilities that banks discover or customers disclose in their internal records e.g. through flags / notes in the internal bank system? If yes, how should banks use that information?**

It is important that banks record information about a person's vulnerabilities, with the consent of the customer. Recording information on a person's situation can reduce the number of times a customer needs to repeat their story, which can often be distressing and re-traumatising.

Banks should use the information about a customer's situation to ensure that the customer is using the most suitable products and services to respond to their needs; the customer is being treated with respect and compassion; and the customer is linked into other support services that may be required (for example, making referrals to hardship programs offered by utility providers).

There are some self-evident markers of vulnerabilities, such as source of income from Centrelink, suspensions of Centrelink payments due to the enforcement of "mutual obligation" activity, and forms of income management such as the Cashless Debit Card. This information may indicate vulnerability or hardship, and could be used to trigger an appropriate response.

Customers should also be able to request that information about their vulnerabilities is removed at any time. This is important in ensuring that the information does not negatively impact on their access to products and services, particularly if they experienced a temporary hardship; and maintaining the person's right for privacy and respect.

### **7.1.2 2) Consultation Question: How should banks balance the desire to support customers fully and ensure they don't have to repeat their story, with the customer's right to privacy?**

Banks should balance the desire to support customers fully, with the customer's right to privacy, by ensuring that customers control what information about them is recorded; how it is used; and when

it is to be removed. This needs to be balanced with responsible lending obligations, which help to ensure that banks provide customers with appropriate products.

**7.1.2. 3) Consultation Question: Should banks ask customers questions when they open an account whether the customer identifies as Aboriginal or Torres Strait Islander?**

Banks should ask customers a voluntary question on whether they identify as Aboriginal and/or Torres Strait Islander when opening an account, provided this information does not have a detrimental impact on the person's ability to access a banking product. This information is important in understanding how banks are, or are not, supporting Aboriginal and Torres Strait Islander people.

**7.1.2. 4) Consultation Question: Are there any other questions banks should ask customers when they open an account to assess if they may be at risk of being vulnerable?**

It is important that banks undertake appropriate due diligence processes when a customer opens an account. It is recommended that banks ask customers about their primary source of income. This will help to ensure that the person is accessing the most appropriate product or service that meets their needs. People whose primary income source is from Centrelink should automatically be offered basic banking products and services that do not include fees.

## 6. Staff training

Tailoring of training, product design and testing, and organisational training (including escalation pathways) to support potentially vulnerable customers are important practices.

However, training staff to be "inclusive and accessible", "provide cultural awareness" and to take "extra care with vulnerable customers" can be complex and challenging work. We recommend that banks partner with organisations with the right expertise and specialist knowledge of vulnerability and hardship, including key drivers of vulnerability such as family violence. As a training provider of choice for several corporate organisations, GSANZ has seen first-hand the benefits that these organisations gain from partnering with community organisations to build the awareness and capability of staff to identify and support vulnerable people.

The spectrum of vulnerable customers across the touch points with banks (e.g. ATM, branch, phone, internet), means banks would need to make this part of their core training for staff.



How training is devised, implemented and evaluated to gauge if it is working (as well as a complaints process) would need to be factored into training proposals.

### **8.2.2 1) Consultation Question: Do you agree with inclusion of the proposed provision in the Guideline?**

We agree with the proposed provision of additional principles for staff training.

### **8.2.2 2) Consultation Question: Do you think any additional guidance or provisions for staff training should be included in the proposed Guideline?**

As vulnerable customers can encompass a range of cohorts it is important that staff training is informed by consultation with relevant specialist bodies to gain subject matter expertise and the principles of human-centred design. This process should involve meaningful consultation with people who have lived experience of different types of vulnerability.

The ABA could look to the example of the Essential Services Commission (ESC) and its response to the Royal Commission into Family Violence (Victoria). The ESC developed new requirements to provide assistance to customers and staff experiencing family violence. The ESC collaborated with businesses, community services organisations and family violence specialists to identify principles for effective policies and processes. This resulted in *Moving towards better practice - implementing family violence policies in the Victorian water sector*. This publication covers examples of policies and guidance, case studies, how to train supporting staff, protecting private/confidential information, making referrals to specialist services, and the issue of risk and safety.<sup>20</sup> The ESC notes that the work in this space is ongoing and requires updating. The process and subsequent framework that the ESC has adopted could be used as a resource by the ABA in its consideration of vulnerable customers.

## **7. Other**

### *Bank third-party authorisation forms*

We support automatic review processes of Power of Attorney and potentially an automatic expiry for certain documents of this kind. An informed consent process should also enable consideration of what kind of authority has been given, numbers of transactions, and amounts per transaction.

---

<sup>20</sup> Essential Services Commission. (2017). *Moving towards better practice - implementing family violence policies in the Victorian water sector*. May 2017. Retrieved from <https://www.esc.vic.gov.au/sites/default/files/documents/proposed-customer-service-code-changes-moving-towards-better-practice-20170706-v4.pdf>

**9.2.2 1) Consultation Question: Do stakeholders support the implementation of the recommendations of the Australian Law Reform Commission relating to power of attorney reforms, a national register and an organisation to investigate 'good faith' reports of financial abuse?**

We support the implementation of the recommendations of the ALRC relating to Power of Attorney reforms.

**9.2.2 2) Consultation Question: Do you agree with our proposed inclusions relating to third party authorisation forms in the Guideline?**

We support the proposed inclusions relating to third party authorisations, including simplifying forms and options for limiting the authorisations.

Regarding banks considering if third party authorisations should be stopped, if the bank is provided with medical information that the customer has lost capacity, we would suggest something akin to a flag system that would trigger a review of the case by a specialised staff member.

**9.2.2 3) Consultation Question: Are there any changes or additional commitments relating to third party authorisation forms which you think should be included in the Guideline?**

We have no further suggestions on this issue.

*Unsecured debt and collections*

**9.3.1. 1) Consultation Question: Should collections arrangements be included in this Guideline?**

It is recommended that collections arrangements are included in the Guideline.

**9.3.1. 2) Consultation Question: If yes, what do you think are the appropriate parameters that should be applied to collections arrangements for vulnerable customers?**

There needs to be clear and transparent collections arrangements for all customers. For vulnerable customers, it is recommended that debt arrangements are not sold on to third parties. This would build on the existing industry guideline, which recommends debts are not sold on when they relate to family violence.

It is recommended that debt collection processes consider a person's debts across services - including banking products and utilities. The impact and outcomes of the 'Way Forward' program should be considered,<sup>21</sup> and if successful, more widely adopted by banks.

### **9.3.1 3) Consultation Question: If yes, should these arrangements be applied to all categories of vulnerable customers?**

It is recommended that better debt collection arrangements be applied to all categories of vulnerable customers.

#### *Scams*

### **9.4.1 Consultation Question: Do you support including industry level guidance on preventing scams in the Guideline?**

We support the inclusion of industry level guidance on preventing scams in the Guideline.

We suggest that more detail and examples of the many forms scams can take be included to help inform the Guideline, and assist banking staff as well as customers to identify that a person is a victim of scamming.

Another component that should be included in the Guideline is how to recognise the specific impact scamming can have on individuals. Victims of scams often feel too embarrassed to tell anyone or report the problem. Research in the United Kingdom has shown the susceptibility and silence of elderly victims of scams in particular.<sup>22</sup> Factors such as isolation, fear and shame for the elderly can make it difficult to recognise elderly victims of scams.

As vulnerable customers can often be the target of scams, consideration of how to address this cohort in the Guideline is needed. It is also critical to note that individuals who are not previously considered vulnerable may become so if made victim to a scam. That is, the impact of the scam itself may result in customers becoming vulnerable. In these cases customers should be afforded remedies regardless of other criteria which determine vulnerability.

---

<sup>21</sup> For information on the Way Forward see <https://wayforward.org.au/>

<sup>22</sup> Cited in Coughlan, S. (2018). Hidden 'shame' of elderly scam victims. BBC News. 28 June 2018. Retrieved from <https://www.bbc.com/news/education-44629881>

## 8. Conclusion

The proposal for banks to proactively identify customers at risk of financial difficulty and to offer them assistance is an important reform. The framework provided by the ABA encompasses important issues for vulnerable customers across the categories of communications, product and service design, data and systems, and staff training and competence. We support the proposed principles to inform the Guideline and note that they respond to several of the recommendations of the Royal Commission. As such they form a strong foundation for banks to lift their standard of service to vulnerable members of the community.

Defining, identifying and responding to the variety of characteristics of those who are deemed vulnerable customers is complex work. A more inclusive banking industry - one that will take "extra care" with customers in vulnerable situations - requires a significant level of investment and specialisation. For example, being able to help vulnerable customers in the context of family violence requires specialised knowledge that can be used to inform good practice. Adequate resourcing is required to invest in systems and capacity building for staff to ensure a consistent and comprehensive response to the needs of vulnerable customers.

In addition to the suggestions in our submission, we recommend that the ABA continue to consult broadly and develop measures to support continuous improvement in banking practice.

We thank the ABA for the opportunity to respond to the Consultation Paper.