AUSTRALIAN COLLECTORS &
DEBT BUYERS ASSOCIATION

15 December 2022

SUBMISSION LODGED VIA: engage.dss.gov.au

Mr Chris D'Souza
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Financial Wellbeing
Department of Social Services
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Dear Chris,

Submission in response to Consultation: Financial Counselling Industry Funding Model

The Australian Collectors & Debt Buyers Association is pleased to provide the attached Submission in response to the Department of Social Security's public consultation on the Financial Counselling Industry Funding Model (industry funding model)

Please do not hesitate to contact the writer to discuss any aspect of the Submission.

Yours sincerely
AUSTRALIAN COLLECTORS & DEBT BUYERS ASSOCIATION

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Submission to Department of Social Security's Public Consultation: Financial Counselling Industry Funding Model

December 2022

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Introduction

Australian Collectors & Debt Buyers Association (ACDBA) welcomes this opportunity to respond to the Public Consultation on Financial Counselling Industry Funding Model (industry funding model) released by the Department of Social Security on 7 November 2022.

Established in 2009 for the benefit of companies who collect, buy and/or sell debt – ACDBA's members (refer Appendix 1) represent the majority of the collection market in Australia.

The core business of our members within the financial services industry is in the credit impaired consumer segment, whether as contingent collectors or debt purchasers, working with consumers who for various reasons, have found themselves in default of their credit obligations.

ACDBA members purchasing debt, each hold an Australian Credit Licence and are members of the Australian Financial Complaints Authority (AFCA).

Our members, whether involved in contingent collections or debt purchasing, do not provide financial advice and **do not generate or originate any credit facilities**.

Contingent collections

Contingent collections refer to pursuing the recovery of accounts on behalf of a creditor under a "principal and agent" agreement for an agreed fee. At all times, the debt is owned by the creditor.

Creditors issuing instructions for contingent collections include governments, statutory authorities, financiers, insurers, telcos, utility providers, other corporations, strata body corporates, small business and individuals.

Collectors involved in contingent collections do not extend or originate credit to customers.

Debt purchasing

Accounts assigned to debt purchasers typically involve debts where an acceleration clause in the financial agreement has been triggered by the customer's default in making repayments.

Many with accelerated debts are in hardship giving rise to complex, contested and unresolved issues. Debt purchasers are specialists in dealing with and managing hardship as they almost exclusively interact with customers in some form of financial difficulty.

Debt purchasers do not extend or originate credit to customers.

Perspectives

ACDBA recognises the value that financial counsellors bring to those individuals experiencing financial difficulty and is supportive of the creation of a model that will increase funding for unmet demand and provide certainty of funding for the financial counselling sector. However, it is the place of government, rather than industry, to meet the funding demands for provision of these community services.

The need for individuals to reach out for financial counselling assistance to address a difficulty in meeting an immediate financial obligation is often symptomatic of wider financial difficulties stemming from multiple factors including but not limited to, loss of employment, illness, injury, family breakdown, business failure, natural disasters, bereavement, short term cash flow issues, economic conditions, and wider societal problems such as, long term unemployment, gambling and other addictions, domestic and family violence, inadequate social service payments and poor financial literacy. Such factors make individuals more susceptible to financial vulnerability.

Industry itself does not create the need for financial counselling, rather, it is the above underlying issues.

The top drivers of demand for financial counselling services according to that sector are loss of income, relationship breakdown/abuse, gambling, health issues (including mental health) and payday loans. Contact by a collector might be a trigger for consumers initiating financial counselling assistance, but the actual issues for such assistance are not the debt collector contact but the underlying drivers of their financial difficulties.

While it is our position that the financial counselling sector should be wholly funded by government, to the extent that an industry levy was to apply, to harness the ongoing support of industry, we consider that any financial counselling industry funding model (funding model) must be supported by robust data to ensure a fair and equitable basis for contributions exists. A compelling data supported methodology will result in the funding model being assessed as credible and fair – any alternative will adversely impact voluntary industry contributions and see the funding model fail.

Under the proposed funding model some sectors responsible for clients seeking financial counselling services will not be called upon to contribute at all (e.g. gambling sector). Others will pay a less than fair proportion of industry contributions leaving the remaining sectors to make up the shortfall.

The debt collector/buyer subsector are service providers only to credit generators from the financial services, telecommunications and utility sectors.

The Sylvan Review[1] details that the Honourable Kenneth Madison Hayne AC QC, in his Final Report of the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* noted the demand for financial counselling services was:

> *Being driven by changes in the complexity of markets and the increasingly complicated task of choosing products in the financial services industry. This complexity is an attribute of not only banking but also alternate credit providers and other businesses including energy and telecommunications providers.*

Debt collectors work with consumers experiencing financial difficulty and are not the cause of the financial difficulties themselves.

[1] The Countervailing Power: Review of the coordination and funding for financial counselling services across Australia – March 2019

The proposed contribution to be borne by the debt collector/buyer subsector (equivalent to in excess of 10% of total funding) is disproportionate in all of the circumstances.

Empirical determination of a fair split based upon the range of underlying reasons clients seek financial counselling services may be more complex, but we submit if undertaken a much fairer and equitable basis for contributions will result, avoiding unintended consequences for sectors such as the debt collector/buyer subsector.

Responses

Below are our responses to the specific questions raised in the Discussion Paper:

Part 3: OVERVIEW OF THE PROPOSED MODEL

What are your views on the proposed principles for developing the industry funding model?

If the model, when in operative effect, adopts the proposed principles then these appear to be sound and reasonable, however the proposed principles are currently untested and might be better referred to at this time as expectations for the development of the two components for the model.

We have concerns whether the proposed model delivers on all the enunciated principles, particularly principle 3: whether the model provides for a fair split of industry contributions - these concerns will be addressed more fully later in this submission.

The decision to exclude the gambling industry as an industry sector contributing to the funding model is, we submit, at odds with community and industry understanding of the significant adverse effects of gambling on the finances of many individuals.

Lauren Levin, Financial Counselling Australia's (FCA) Director of Policy and Campaigns in November 2021[2] said "financial counsellors see a lot of harm from credit-fuelled gambling. In addition to losing savings and wages, most clients of financial counsellors have credit card debts and payday loans with crippling interest payments."

This year, FCA commented[3] on a recent survey of financial counsellors which highlighted the growing harm caused by gambling, noting financial counsellors were reporting that "the rapid growth of gambling has resulted in increasing numbers of people affected by gambling harm, experiencing multifaceted problems. Helping these clients is more complex than working with clients not affected by gambling. It involves responding to addictive behaviour, potential suicidality, high debt levels and many other co-occurring problems."

Our members similarly report gambling as a significant cause for the financial difficulties of consumers they interact with – this cause being an overlay to the other societal causes (detailed earlier above) adversely impacting the financial circumstances of many Australians.

Consumers affected by problem gambling may not always be open about the causes of their financial difficulty, leading to problem gambling often being undetected as the cause of financial difficulty - it will therefore be underrepresented in any financial counsellor survey data.

[2] FCA Media Release – 26 November 2021
[3] FCA Media Release – 10 May 2022

Recognised in the wider community as a very significant factor in causing financial difficulties for many individuals, gambling reportedly received limited acknowledgement in the 2 week survey of 200 financial counsellors conducted in 2021 – this anomaly casts doubt on the qualitative accuracy and value of that survey data.

Part 4: QUANTUM OF FUNDING REQUIRED TO ADDRESS UNMET DEMAND

What are your views on the proposed quantum for each year of the first three years of the model?

Absent any available empirical evidence to the contrary, the modelled quantum is accepted at face value - time will demonstrate the accuracy of the modelling.

Part 5: SUGGESTED CONTRIBUTIONS FROM SECTORS AND SUBSECTORS

Are there any evidence-based adjustments that could be made to the suggested contributions methodology? What are they and how could they be incorporated into the methodology?

The funding model proposes the debt collector/buyer subsector contribute 10.18% of the quantum of funds annually for the 3 year period, based on the results of the 2 week survey of 200 financial counsellors conducted in 2021.

We acknowledge the 2021 survey does provide some data, but regretfully from the vantage point of the debt collector/buyer subsector, it does not result in a fair split of industry contributions. The outcome of the use of this limited dataset is some sectors responsible for clients seeking financial counselling services will not be called upon to contribute at all (e.g. gambling sector). Others will pay a less than fair proportion of industry contributions leaving the remaining sectors to make up the shortfall.

Gambling reportedly received limited acknowledgement in the 2021 survey – this anomaly casts doubt on the qualitative accuracy and value of the survey data, given its recognition by the wider community as a very significant factor in causing financial difficulties for many individuals.

Indeed, this is at odds with the commentary on the issue in FCA's 2021-2022 Annual Report[4]:

> *Financial counsellors are seeing more and more people with gambling issues, and we know that online gambling is growing exponentially…*

Similarly, the proposed contribution for the Buy Now Pay Later (BNPL) subsector appears inadequate given the recent and projected take up of this form of financing. A contemporary view on the impact of BNPL comes from the Good Shepherd Buy Now Pay Later Report[5]:

> ***Increasing BNPL debts***
>
> *BNPL debts are pervasive and growing rapidly among Good Shepherd clients. The proportion of financial counselling clients with BNPL-related debt increased eight-fold between 2017 and 2021. Sixty per cent of our Financial Counselling and Capability practitioners estimate that around half, most, or all of their clients now have BNPL debts. The groups with highest BNPL use are women, younger people, single parents, and people living on lower incomes. BNPL is a highly gendered phenomenon tied to women's economic insecurity.*

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[4] Financial Counselling Australian 2021-2022 Annual Report
[5] Good Shepherd Buy Now Pay Later Report – November 2022

FCA also referenced the BNPL issue in its 2021-2022 Annual Report[6]:

> *In December, a survey of financial counsellors confirmed that BNPL debt was causing financial distress…*

These perspectives, also widely held in financial sector circles, have recently been acknowledged by the government initiating a review[7] in late November 2022 of the regulatory framework for BNPL under the *National Consumer Credit Protection Act 2009*.

The Sylvan Review[8] noted that the Royal Commission and the Senate Inquiry into Hardship both highlighted the significant role that inappropriate or predatory products, services and practices can play in driving the financial hardship that may require financial counselling. Problem gambling, mental health issues and other income shocks - such as job loss, divorce or illness – may also limit a person's ability to meet their financial obligations and, in turn, drive demand for financial counselling services.

Notwithstanding that empirical determination of a fair split based upon the range of underlying reasons clients seek financial counselling services may be more complex, if undertaken a much fairer and equitable basis for contributions would result. **Being complex does not obviate the necessity for such data analysis** being undertaken.

The discussion paper provides no detail as to the instructions given to the 200 financial counsellors who participated in the 2021 survey on how they were to determine the apportionment of their time – was it based only on the reason given by the client for making contact or was it a more nuanced breakdown based on all the debts contributing to the financial difficulties reported by the client?

Even if a more nuanced breakdown was required, the discussion paper states all underlying reasons which may have significantly contributed to financial difficulties were excluded.

Such difficulties may arise from loss of employment, illness, injury, family breakdown, business failure, natural disasters, bereavement, short term cash flow issues, economic conditions, and wider societal problems such as, long term unemployment, gambling and other addictions, domestic and family violence, inadequate social service payments, poor financial literacy, or overcommitment driven by excessive borrowing and poor and excessive lifestyle choices.

The narrow scope of the 2021 survey, excluding consideration of the underlying reasons leading to contact being made for financial counselling services has ensured a disproportionate impact on the debt collector/buyer subsector given its unique service provider rather than credit generation role.

Unlike banks, telcos, utility providers and other credit generators, the entire business model of the debt collector/buyer subsector is prefaced on making contact with its customers to deal with and manage their financial hardships in an attempt to rehabilitate their accounts. This fundamental difference means it is unrealistic and unreasonable to expect this subsector to bear a 10.18% contribution of the total funding pool given they are service providers only to the credit generators.

Further, the debt collector/buyer subsector is entirely different to the other subsectors encouraged to make contributions under the funding model. This difference is that as service providers, the debt collector/buyer subsector has no capacity to pass on the funding model contribution costs to the broader consumer market whereas the other subsectors can, through their credit origination.

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[6] Financial Counselling Australian 2021-2022 Annual Report
[7] Regulating Buy Now, Pay Later in Australia – Treasury Consultation issued 21 November 2022
[8] The Countervailing Power: Review of the coordination and funding for financial counselling services across Australia – March 2019

While the debt collector/buyer subsector does not itself generate credit giving rise to the demand for financial counselling services, the subsector benefits to some degree whenever customers work with financial counsellors. For contingent collections, this benefit ultimately flows to the principal credit generator. Financial counsellors supporting customers supplement the significant work daily undertaken by the subsector in assisting customers experiencing financial difficulties with strategies to empower them to self-manage those obligations.

Contact by a debt collector is perceived by many customers to be a significant concern and is therefore often the precipitating factor or trigger leading to them no longer avoiding their myriad financial problems and initiating financial counselling assistance for all their financial difficulties.

Alternate metrics

If the debt collector/buyer subsector is to be a contributor to the funding model based on a time utilised survey of financial counselling services, it is strongly recommended that a more appropriate and in-depth survey be conducted to determine a fairer basis for its contribution.

The debt collector/buyer subsector does not cause the issues giving rise to the demand for financial counselling services but will always be overrepresented in any survey of financial counsellor time simply due to the very nature of the work undertaken as service providers on behalf of actual credit generators. Inevitably contact by the subsector becomes a precipitating factor or trigger for customers finally seeking financial counselling support for their wider financial difficulties.

The Department asks for alternate evidence-based data of industry activity and relative scale to support adjustments to the sector and subsector spilt of the quantum of contributions under the funding model - reference to the respective scale (such as total revenue, total employees and/or total value of credit generated) of the sectors and subsectors is an appropriate metric to identify their respective capacity to contribute to the funding model.

Several alternate metrics exist and could be utilised for this purpose, including:

1. Industry Data

   A. Australian Banking Association (ABA) Statistics

   As at 30 June 2022, ABA reported in relation to Australian banks:

   - Gross loans and advances totalled[9] $3,802.8 billion
     (This includes credit cards and personal loans)
   - Bank employees totalled[10] 197,435

   B. ACDBA Annual Industry Data Survey[11]

   As at 30 June 2022, the industry participants (ACDBA members and other industry participants) reported:

   - Accounts under collection totalled $20.8 billion represented by:

Contingent collections	$8 billion
Debt purchase collections	$12.8 billion

[9] ABA Bank Financials - https://www.ausbanking.org.au/data-research/data/bank-financials/assets-liabilities/
[10] ABA Banking by the number - https://www.ausbanking.org.au/insight/banking-by-the-numbers/
[11] ACBDA Annual Industry Data Survey - https://www.acdba.com/index.php/industry-demographics

The majority of accounts under collection are for consumer financial agreements (credit cards and personal loans)

- Full time equivalent employees working on Australian debt were a total of 2,633

Subsequent to the Roundtable meeting between the Department, ACDBA and Nous Consulting on 7 December 2022, as requested we conducted a limited survey as to the source of debts under collection by ACDBA members:

- Participants in this further survey handle 26% of accounts under collection (representing 42% of the total value of debt under collection)
- The sources of those accounts (debts) are as follows:

Table 2	
Debt Source	**Accounts (%)**
Banks	33.2%
Telecommunications	31.2%
Other credit providers	17.2%
Utilities (energy & water)	12.0%
Other	5.9%
Commercial	0.6%
TOTAL	**100.0%**

Observations arising from all the above data sources include:

- The debt collector/buyer subsector at 30 June 2022 were attempting to collect **accounts amounting to only 0.55% of the total gross loans and advances of Australian banks**
- The data included in Table 2 above shows:
  - Banks and other credit providers represent 50.4% of all accounts being actioned by the debt collector/buyer subsector with the funding model proposing these subsectors contribute a total split of 48.53% - this appears to be a consistent outcome
  - Telecommunications represent 31.2% of all accounts being actioned by the debt collector/buyer subsector and yet the funding model only proposes this sector contribute a split of 7.26%
  - Energy & water (utilities) in total are to contribute a split of 21.04% under the proposed funding model but only represent 12% of all accounts being actioned by the debt collector/buyer subsector
- The funding model proposes the debt collector/buyer subsector should contribute 10.18% of the total funding contribution (or as we have noted earlier 14.2% of the total financial services sector contribution), however it is evident from the above data, it is only an extremely small subsector of the overall financial services sector

2. AFCA Data

An independent third party data source are the statistics published by the Australian Financial Complaints Authority (AFCA) in its Datacube[12]. Financial services complaints lodged with AFCA particularly in the debt collection and debt buying space often involve third party assistance for consumers from financial counsellors and consumer advocates.

Table 1 below provides a useful contrast of the complaint experience of the debt collector/buying subsector to the experiences of the other subsectors of the financial services sector included in the funding model.

Table 1

AFCA Primary Business	Column A Suggested % Contribution to Funding Model	Column B Expressed as % of total financial services sector contribution	Complaints received by AFCA					
			FY2022		FY2021		FY2020	
			Number	%	Number	%	Number	%
Banks	**36.53%**	**50.96%**	28,182	51.8%	26,064	47.9%	27,992	51.4%
Credit Provider (finance companies, SACCs & MACCs)	**17.06%**	**23.80%**	7,626	14.0%	7,944	14.6%	9,774	17.9%
Credit Unions, Building Societies & Mutual Banks	**0.00%**	**0.00%**	682	1.3%	692	1.3%	742	1.4%
Debt Collector or buyer	**10.18%**	**14.20%**	1,306	2.4%	1,549	2.8%	2,560	4.7%
FinTech (including BNPL)	**4.32%**	**6.03%**	1,255	2.3%	921	1.7%	580	1.1%
General Insurer	**3.60%**	**5.02%**	15,405	28.3%	13,809	25.4%	15,765	28.9%
TOTAL OF EXTRACTED CATEGORIES	**71.69%**	**100.00%**	**54,456**		**50,979**		**57,413**	

Observations from this data source include:

- Complaints received by AFCA in relation to debt collectors/buyers have fallen significantly over the 3 year period
- Complaints received by AFCA in relation to FinTechs including BNPL have been steadily increasing over the 3 year period, supporting the expectation that BNPL as a newly emerging financial product will continue to give rise to increasing demand for financial counselling services
- Reviewing Column B, being the split percentages expressed with reference to the total financial services sector contribution, the following is noted:
  - The proposed funding model contribution by banks generally aligns closely to their AFCA complaints experience
  - The AFCA complaints experience of credit providers is less than their proposed funding model contribution - although involving significant demand for financial counselling services, complaints relating to small amount finance are less likely to be escalated to EDR but instead resolved through IDR

[12] https://data.afca.org.au/

- **For the debt collector or buyer category, the AFCA complaints experience is significantly lower than the proposed funding model contribution for that subsector**

  This differential supports that as service providers rather than credit generators, the subsector does not create the demand for financial counselling services but instead works with consumers to resolve their financial difficulties arising from the credit generators' accounts

  The percentage of financial services complaints received by AFCA for the debt collector/buyer subsector is 2.4% - this is a fairer and more realistic metric for the proposed funding model split for the subsector than the current 10.18%

- The general insurer category of AFCA complaints is significantly higher than their proposed funding model contribution however this is possibly consistent with the reality that many of those complaints are unlikely to have involved financial counselling services

These alternate metrics all support that under the funding model the split of 10.18% for the debt collector/buyer subsector is excessive.

Part 5.1: CALCULATING SUGGESTED CONTRIBUTIONS WITHIN SUBSECTORS

Should any businesses within a subsector be excluded (e.g. small businesses)?

A small business exemption should be established in circumstances where a contribution becomes so low that the cost to administer the collection of that amount outweighs its benefit.

Further, we are concerned by the overall affordability of the proposed quantum of contributions allocated to the debt collector/buyer subsector - as noted throughout this submission we contend the 10.18% expectation is excessive in all the circumstances.

There has been an emerging trend in recent years of firms exiting this subsector. This trend reflects pandemic related impacts and reduced trading conditions for the subsector (Australians increasingly have less credit card debt and at the same time the volume of debt sales has significantly reduced) together with continued escalation of subsector costs in recent years arising principally from changed complaint and compliance environments.

Some examples of increased complaint and compliance costs include:

- The creation of AFCA has seen an escalation of complaints to EDR (including a rise in non-meritorious complaints) accompanied by delays in resolution and escalating EDR costs of complaints

  The impact on the subsector by the creation of AFCA has been significant as:

  - Some third party representatives of consumers (financial counsellors, consumer advocates and others) have weaponised the AFCA process on recognition that by lodging of a complaint the respondent financial firm immediately incurs complaint costs, which escalate throughout the AFCA process
  - Even where a non-meritorious complaint is lodged (there has been a significant rise in such complaints) and the respondent financial firm contests the allegations or AFCA's jurisdiction, the financial firm incurs complaint costs – those costs escalate the further along the process the financial firm resists the non-meritorious complaint

- Such EDR costs have been accompanied by changed expectations by many consumers and their third party representatives that when negotiating with the financial firm, they can demand a significant discount of the outstanding debt and even a total waiver of the debt or else, a complaint will be lodged with AFCA – the financial firm is then faced with a commercial decision to waive the outstanding debt either in full or part to avoid incurring AFCA fees and charges to defend a non-meritorious complaint
- Prior to the creation of AFCA, the subsector incurred total EDR costs of less than $1.5 million per annum whereas in FY2022 EDR costs for the subsector were $3.4 million[13]

- The introduction of IDR data reporting and breach reporting obligations have both required capital investment for system changes, additional resources and training

The escalating cost structure for the subsector has tested the financial viability of some firms leading to an exit of some firms by sale and/or liquidation.

An excessive contribution expectation of the debt collector/buyer subsector to the funding model may for some firms be beyond their financial capacity.

What are your views on options 1 and 2 for determining the split within subsectors for voluntary contributions?

For the debt collector/buyer subsector, option 2 is the only reasonable approach.

Not all participants in the subsector are members of ACDBA, the peak industry association and further ACDBA does not have the resources to assess and determine a fair and appropriate split of the subsector's contribution pool.

If the subsector's split was to be determined only by membership of ACDBA, some non-member firms which include very large operators in the subsector would be excluded from the calculation - this would not meet the fairness principle of the funding model.

Assuming a split that includes all participants in the subsector is determined, operators which are not members of ACDBA are more likely to be open to an approach from the Department to participate in voluntary funding.

What is your view on the different methods for within subsector splits, for your subsector?

Considering each proposed method:

Method 1: Australian Financial Complaints Authority (AFCA) Membership Levy

The calculation methodology for AFCA funding levies is a continuing source of concern for the debt collector/buyer subsector and therefore use of this method for the subsector is unlikely to encourage participation in this voluntary funding scheme.

Method 2 ASIC Cost Recovery Implementation Statement: ASIC Industry Funding Levy

As noted in the Discussion Paper this method will not work for the debt collector/buyer subsector as indicative levies are not provided by ASIC for the subsector.

Method 3: Apportion contributions between individual businesses based on business size

Given the concerns relating to methods 1 & 2, it will be necessary to determine an alternate methodology based on business size.

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[13] ACBDA Annual Industry Data Survey - https://www.acdba.com/index.php/industry-demographics

One option for a metric based on business size for the debt collector/buyer subsector would be by reference to the number of full time equivalent employees each business tasks to collection activities on Australian debt (this would target the employees working with consumers may ultimately seek financial counselling services – this metric excludes other employees in business administration, marketing, governance etc). This established metric is used by ACDBA to calculate membership fees.

Part 5.2: SECURING COMMITMENTS FROM SECTORS AND SUBSECTORS

What is your view on the proposed initial three-year commitment? Is this an appropriate length to ensure flexibility and stability of funding? When would an appropriate time be to review the functioning of the model?

The initial three-year commitment will deliver certainty both for funding to the financial counselling sector and the extent of expectations for industry contributions.

The concern for industry will be how funding expectations beyond the three years are determined. Taking into consideration issues of scale and limited business operations, some industry sectors may be constrained in the ability to meet the existing three-year expectations and beyond, if the funding quantum expectations unreasonably escalate.

Industry will need early visibility of future funding expectations to plan for such commitments. To this end, ACDBA supports the proposed review in year two of the initial funding term.

The review, for transparency purposes should be data driven and ensure future contributions will be based on objective methodologies rather than as currently, on a limited and subjective survey of only part of the financial counselling sector.

Review considerations should include, in addition to those outlined in the discussion paper:

- Contributions actually received by way of voluntary industry funding
- The fairness and equity of the initial split across industry sectors including consideration as to whether the original participating industry sectors together with their respective split should be modified (added to, removed or reduced)
- The progress and scope of work undertaken by the independent body to encourage voluntary contributions
- Details of how collected funding was distributed to financial counselling groups and for what purposes
- An objective assessment as to how effectively the funds were utilised by the financial counselling recipients to meet the principles of the funding model

Are peak organisations an appropriate mechanism to obtain a formal commitment from subsectors as part of the initial set up of the model? Are there alternative methods to secure commitments that could be undertaken in a timely manner?

The effectiveness of a peak industry body to obtain formal commitments will be directly related to the proportion of the sector which are members of that industry body.

In many sectors, membership of industry bodies is not mandatory creating the risk that such non-members might be omitted from requests for voluntary contributions or alternatively might continue to avoid industry commitment consistent with being outside industry association membership.

In the debt collecting/buying subsector there are multiple businesses including some significant industry participants outside the membership of ACDBA, the peak body. For this reason, it is appropriate that the commitments for this subsector be gathered by the Department.

Part 6: DESIGN OF THE INDEPENDENT BODY

What are your views on the proposed characteristics of the independent body as set out in Table 4? Are there other characteristics that should be considered?

Independence is the overarching characteristic required to ensure a balanced and fair treatment of all parties to the funding model. The characteristics set out in Table 4 otherwise appear reasonable.

Which board composition option do you prefer and why? Are there other options?

We favour option 2 being a model based on an independent chair supported by a board comprising equal numbers of relevant community sector and industry representatives.

Membership of the board should be for fixed terms and ideally should include a rotation of representatives ensuring those making up the board over time maintain relevant ‘coal face’ experience in the relevant sector.

Part 7: EVALUATION

What are your views on the proposed questions the evaluation could test?

Each of the three criteria for evaluation of the funding model are relevant and appropriate, however we suggest criteria 3 is the ultimate assessment required: **has the model been effective in improving service delivery across the financial counselling sector**? If not, then what would be the ongoing purpose of the funding model?

Contact

For any enquiry in relation to this Submission, please contact:

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Appendix 1 - Members of Australian Collectors & Debt Buyers Association

- Axess Australia Pty Ltd
- CCC Financial Solutions Pty Ltd
- CFMG Pty Ltd t/as reminda
- Charter Mercantile Pty Ltd
- CollectAU Pty Ltd
- Complete Credit Solutions Pty Ltd
- Credit Collection Services Group Pty Ltd
- Credit Corp Group Limited (ASX: CCP)
- Lyndon Peak Pty Ltd t/as Access Mercantile Services
- PF Australia Pty Ltd
- PRA Australia Pty Ltd
- Recoveries Corporation Holdings Pty Ltd
- Shield Mercantile Pty Ltd
- Standard8 Advisory Pty Ltd
- Strategic Collections Pty Ltd