



6 February 2015

By email: prebudgetsubs@treasury.gov.au

Budget Policy Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam,

Submission regarding the 2015-16 Federal Budget

Consumer Action Law Centre (**Consumer Action**) welcomes the Government's invitation to the Australian community to provide input to the 2015-16 Commonwealth Budget.

We continue to be mindful of the current economic conditions and their impact on the Government's budgetary considerations. We have therefore limited our submission to some brief comments regarding two key issues currently affecting consumer interests that we believe stand out as consumer priorities for the Government's consideration this year. These are:

1. Funding for financial counselling; and
2. Funding for community legal centres.

The consumer matters above relate to current policy priorities such as regulatory reform, access to justice, financial service policy and competition policy.

Our comments are detailed more fully below.

About Consumer Action

Consumer Action is an independent, not-for-profit, campaign-focused casework and policy organisation. Consumer Action offers free legal advice, pursues consumer litigation and provides financial counselling to vulnerable and disadvantaged consumers across Victoria. Consumer Action is also a nationally-recognised and influential policy and research body, pursuing a law reform agenda across a range of important consumer issues at a governmental level, in the media, and in the community directly.

Funding for financial counselling services

Financial counselling is an essential consumer safety net that provides free and confidential advice to low income and vulnerable Australians. It forms a critical part of the national financial literacy framework, with trained counsellors who are uniquely placed to deliver

practical advice and assistance in a cost effective service delivery model. More than 75% of those receiving assistance have annual incomes below \$60,000.

As a jointly funded program between the States and the Commonwealth, financial counselling delivers value for public funds by reducing the load on courts and related services that result from severe financial difficulty. Almost 75% of clients avoid legal action, and more than 50% avoid bankruptcy, as well as the associated physical and mental health benefits of reduced stress which relieves pressure on health services.¹

A recent cost benefit analysis of a financial counselling program found that the program generated five dollars in benefits for every one dollar of cost. While not included in the cost benefit analysis, a range of personal, social and economic benefits were also delivered.²

Pressure on families struggling to make ends meet is increasing, as is demand for financial counselling services. Government can help meet that demand by investing in the high quality professional service with proven results that only professional financial counsellors provide. At minimum, the Government is advised to reverse the funding cuts to the financial counselling sector made in the 2014-15 Federal Budget.

We note that it is more important than ever that financial counsellors, who are on the 'front line' when it comes to providing assistance to low income and vulnerable Australians, are heard in policy debates that affect them. For these reasons, Consumer Action strongly supports ongoing Commonwealth financial support for the national financial counselling body in Australia, Financial Counselling Australia (**FCA**), in the 2015-16 Budget. This support should be at a level that allows FCA to adequately perform its coordination and advisory role while service agencies focus on service delivery.

Funding for community legal centres

Community legal centres (**CLCs**) are independent community organisations that provide a range of legal services to individuals and their communities, particularly disadvantaged and marginalised people. These services include legal representation in courts, tribunals and other dispute resolution venues, as well as advice, information and referral services, community legal education, law reform and policy reform work.

CLCs reduce the need or extent to which individuals are involved with the formal legal system, and help ensure that simple problems do not spiral into complex problems or escalate into criminal matters. CLCs therefore produces 'invisible' benefits, including reducing burdens on the publicly funded legal system and welfare services. The work of CLCs generates 'avoided' costs, and deliver other social benefits by providing protection and information to disadvantaged and vulnerable citizens. The Government's Review of the Commonwealth Community Legal Services found that 82% of CLC clients earned less than \$26,000 per annum.³

¹ Dr Nicola Brackertz, 'I Wish I'd Known Sooner: The Impact of Financial Counselling on Debt Resolution and Personal Wellbeing', Swinburne University, 2012.

² Mahmoudi et. al., 'Paying it forward: Cost benefit analysis of The Wyatt Trust funding financial counselling services', University of Adelaide, February 2014, available at: http://www.adelaide.edu.au/wiser/docs/WISeR_wyatt-report2014.pdf.

³ Attorney General's Department, 'Review of the Commonwealth Community Legal Services Program', March 2008, p. 6.

In its final report on *Access to Justice Arrangements*, the Productivity Commission noted that legal assistance funding for civil matters has "not kept pace with increasing costs and demand. Accordingly, there has been a growing 'justice gap' for the disadvantaged: those who would take private legal action to defend their rights, but do not have the resources to do so."⁴

We welcome the Productivity Commission's acknowledgement of the economic benefits of legal assistance funding:

"not providing legal assistance in these instances can be a false economy as the costs of unresolved problems are often shifted to other areas of government spending such as health care, housing and child protection. Numerous Australian and overseas studies show that there are net public benefits from legal assistance expenditure."⁵

One such study was a recent economic cost benefit analysis of CLCs which found that, on average, CLCs have a cost benefit ratio of 1:18. That is, for every dollar spent by government they return a benefit to society that is 18 times greater than the cost.⁶

In its *Access to Justice Arrangements* report, and after much inquiry and consultation, the Productivity Commission concluded that to address the more pressing gaps in services, the Australian, State and Territory Governments should provide \$200 million in additional funding for civil legal assistance services in order to maintain existing frontline services and broaden the scope of legal assistance services (recommendation 21.4).⁷

Given the clear economic and social benefits of funding CLCs, we strongly urge the Government to increase its investment in the sector in accordance with the Productivity Commission's recommendation.

Please contact us on 03 9670 5088 or at info@consumeraction.org.au if you have any questions about this submission.

Yours sincerely,

CONSUMER ACTION LAW CENTRE



Gerard Brody
Chief Executive Officer

⁴ Productivity Commission, *Access to Justice Arrangements*, No. 72, 5 September 2014, p. 30.

⁵ Productivity Commission, *Access to Justice Arrangements*, No. 72, 5 September 2014, pp. 30-31.

⁶ Stubbs et. al., 'Economic Cost Benefit Analysis of Community Legal Centres', National Association of Community Legal Centres Inc., June 2012, available at: <http://www.communitylawaustralia.org.au/economic-benefit-clcs/>

⁷ Productivity Commission, *Access to Justice Arrangements*, No. 72, 5 September 2014, Recommendation 21.4.