



Friday 30 June 2006

**Australian Financial Counsellors and Credit Reform
Association National Conference
Speech by ANZ CEO, John McFarlane**

Thank you to David and to AFCCRA for the opportunity to speak today. I would also like to acknowledge Minister Brough, and thank him for supporting and attending this important event.

ANZ has an important relationship with AFCCRA, as well as with state Financial Counselling Associations around Australia. We also work with many individual Financial Counsellors through their involvement in our MoneyMinded Financial Literacy program. Indeed I know some of you may have been involved in facilitator training earlier this week, and I hope the program is of use to you in your work.

High on the agenda for all of us this week is what we can do collectively to address the issues of financial literacy, financial exclusion and financial difficulty in Australia. I know there has been some very productive discussion earlier in the week, including both here in Melbourne at the Financial Literacy & Inclusion Forum (on Wednesday), and in Sydney where the ABA hosted a symposium on the same theme, featuring some examples of international best practice.

Most of us with regular incomes, some form of savings, access to numerous types of credit and basic money management skills have the means to cover life's expenses when they arise. We are able to access money to purchase things such as house, a car or a holiday. However there are also our fellow Australians for whom accessing or managing financial products and services can be both difficult and distressing. And while some groups are clearly more vulnerable than others, very few people are completely immune to these problems.

We know from our research that there are specific groups such as low-income earners, the unemployed, sick and disabled, and indigenous communities, for whom getting access to low-cost, fair and safe financial products and services is not easy. These people may feel too intimidated to enter a bank branch, let alone apply for a loan to cover unexpected costs. In many cases, they borrow from 'loan sharks' or payday lenders at interest rates of up to 48%, simply because they have no other options.

And the number of people in this situation is significant. Research has found that there are around 120,000 people who can be considered totally excluded from mainstream financial services with no ownership of financial products. Around 6% of adults have minimum financial access owning only a transaction account.

Our research also tells us that there are 3 key causes of financial difficulty:

1. When people have unhealthy thinking about their finances – living for today, not saving, keeping up with the Joneses
2. When circumstances arise that are out of a person's control, plunging them into financial difficulty – job losses, marriage breakdowns; and
3. A lack of financial knowledge and skills to conduct their affairs effectively.

There are a whole range of behavioural, market and social forces that interplay and compound one another to create and contribute to these issues. But the bottom line is they have devastating consequences for individuals, families and communities.

You (financial counsellors) see these people when difficulty turns to crisis. And Government, Corporates and Community Groups have a responsibility to do something about it.

As Dr. David Morgan said in his keynote speech at the ABA Symposium: "Broadening Financial Understanding is really part of the wider sustainability agenda. An agenda that is determined, not just by the banks, nor by the government and the community alone. It is determined by all of us, working together in partnership."

We in the banking industry acknowledge this responsibility and recognise that while our products and services help many Australians to build their assets and create a secure future, the policies and practices of this industry have also contributed to financial difficulty and financial exclusion, particularly amongst some of the more vulnerable groups in society.

We can and should do more to make a difference for people struggling to understand and manage their finances or for those facing financial hardship. This is more than "giving back", it's about good business practice that recognises the dignity of all people.

Firstly - We need to get better at identifying customers who are getting into financial difficulty at an early stage, so we can offer assistance before their situation worsens.

Secondly - We need to design products that make it easier for customers to either access fair and safe financial products, such our Progress Loans pilot, where with BSL we are providing small, affordable loans for people who may otherwise have trouble accessing mainstream credit. We can also provide products that help people more effectively manage their debt. For example by introducing a credit card that allows customers to transfer a part of their outstanding balance to an installment plan so they can make set repayments over a specified time. There will of course be many other examples.

Third – we can use our systems and screening processes to more effectively protect customers who may be vulnerable to financial difficulty in the first place. For example, through the marketing of unsolicited credit limit increase offers to people on fixed incomes, such as government pensions. We have recently done this at ANZ, reducing by 11% the number of people who would otherwise have been received such offers.

Next: Financial literacy and education is also critical and I think in the past few years we have worked well together to establish programs and initiatives to raise the profile of this important social issue. The Financial Literacy Foundation's work is also making an enormous contribution here.

Finally: There is more we can do collectively to encourage responsible consumer behaviour and a greater savings culture – so people are more likely to have a buffer to help them manage unexpected events when they arise. We know from our SaverPlus matched savings and financial literacy program for example, that establishing and maintaining a saving plan can build confidence and self-esteem by helping people get control of their finances and achieve a savings goal. In fact, the most recent RMIT research has shown us that 71 per cent of SaverPlus participants continue to save the same amount or more, 12 months after completing the program.

We are hoping to see similar success with MoneyBusiness – which aims to help Indigenous Australians build their money management skills and confidence and create a stronger savings culture in Indigenous communities. The program is being trialled in 6 remote sites in the Northern Territory and Western Australia in partnership with the Federal Government. I am happy to say that over breakfast this morning I had the pleasure of formalising this relationship by signing an agreement with the Minister. I am also delighted that this took place with 16 indigenous workers representing each of the MoneyBusiness sites in the Northern Territory and Western Australia. The program is beginning to make a real impact on the ground in these communities and this is due in no small part to the skills and commitment of our MoneyBusiness team. I commend them to you and welcome them to Melbourne (some for the very first time) for this occasion.

This partnership presents an opportunity to create awareness and a deeper understanding of the issues facing remote indigenous communities particularly in the area of available financial services, access to financial literacy education and support, and ways to create greater financial inclusion.

ANZ has a long term commitment to the issues of financial literacy and inclusion – together with FaCSIA, we intend to make the MoneyBusiness indigenous financial literacy education program available more widely throughout Australia and ensure consistency around the information that is available for other indigenous communities.

Aside from the cultural considerations in indigenous communities, there are of course also particular issues generally around remote service delivery. I know there is a focus group this afternoon looking into these issues – which are important for us all to consider if we are to make a difference in these locations. There is a long and sustained effort required ahead, but through open and effective dialogue and collaboration between industry, government, the community sector and bodies such as AFCCRA, we can and should move in a direction together which diminishes financial exclusion in our community.

In conclusion, I would like to again thank AFCCRA for the opportunity to speak today, and for providing such an important platform for the discussion of issues related to financial counselling and credit reform in Australia. I also would like to thank David Tennant and Jan Pentland from AFCCRA for providing the MoneyBusiness workers with a welcome to events this week.

I would like to leave you with a quick impression of MoneyBusiness – and the good work the team is doing in the Northern Territory and Western Australia – through a short video presentation. Thank you.