

BANKING FOR THE FUTURE

a background paper on financial literacy
and financial services for **Indigenous Australians**



NATIONAL INDIGENOUS MONEY MANAGEMENT AGENDA

“We are still negotiating and affirming the value of Indigenous people to the financial services industry and constructing a rationale that engages this sector in the notion of investment with Indigenous people, not as deficit, not as dependants, not as costs to society or the financial services sector that have to be written off with out reward. We need to work towards building a model that creates ownership by Indigenous people of financial institutions, and knowledge and accountability of financial institutions to knowing their Indigenous customers.”

Paul Briggs – AFCCRA Conference June 2007

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Reconciliation Australia

NATIONAL INDIGENOUS MONEY MANAGEMENT AGENDA

NOVEMBER 2007

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National Indigenous Money Management Agenda

In 2005, Reconciliation Australia formed a partnership with the Department of Families, Community Services and Indigenous Affairs (FaCSIA) to undertake the National Indigenous Money Management Agenda project.

The aim of the project was to identify creative options for developing and delivering financial literacy and banking products and services to Aboriginal and Torres Strait Islander peoples. Across the country, stakeholders from community organisations, the financial services industry and State and Australian Government agencies were involved in consultations, and their combined input has helped shape this final report.

The National Indigenous Money Management Agenda (NIMMA) is presented as short and long term action tables. These tables outline the major outputs from the NIMMA project and identify where the Indigenous Banking Reference Group (IBRG) members have agreed to take further action. The 4 tables are:

- **Financial Literacy Actions** – to be delivered by December 2008
- **Financial Literacy Options** – to be taken forward over the next two years
- **Indigenous Consumer Actions** – to be delivered by December 2008
- **Indigenous Consumer Options** – to be taken forward over the next two years

The tables provide an easy summary of the issues, actions and expected outcomes along with the target dates and responsible organisations.

Summary of the achievements and outcomes of the NIMMA project

The range of achievements and outcomes of the NIMMA project include:

- Support for the NIMMA project and for improving financial literacy and access to banking products and services by financial institutions, government agencies and consumer advocates.
- Open sharing of information among financial institutions and government agencies has helped identify opportunities for working in partnership. For example, financial institutions and IBA are exploring options to work towards improving home ownership opportunities for Indigenous people and leveraging existing financial literacy programs to additional locations.

- Consultations with Indigenous communities have identified key priorities for Indigenous people that include providing wider access to financial literacy training, providing remote banking access, employing Indigenous people in financial institutions, ensuring consumers have access to the most affordable products and improving access to small personal loan products.
- The Financial Literacy Foundation, in consultation with a number of IBRG members, has developed good practice principles for developing financial literacy programs and resources and has also identified existing programs and resources for Indigenous peoples. These initiatives will help to improve the quality of financial literacy initiatives and avoid further duplication of resources.
- Improved communication between consumer advocates and financial institutions leading to new funding arrangements, such as Commonwealth Bank Foundation's support for the Indigenous Consumer Assistance Network (ICAN). The Australian Financial and Credit Reform Association (AFCCRA) has also commenced a dialogue with governments and financial institutions about future funding options.
- A network of Indigenous financial counsellors has been established to share information, provide support and report key issues for Indigenous clients.
- An Indigenous financial literacy website is being developed by the Credit Union Foundation Australia (CUFA) to link Indigenous consumers to available financial literacy resources.
- Funding to develop an online cultural awareness training tool for financial services staff has been secured by Reconciliation Australia, the Westpac Foundation and the Coles Group Community Fund.
- IBRG members have committed to developing Indigenous Statements of Commitment or Reconciliation Action Plans.
- A network of experts in the area of Indigenous financial literacy and banking – the Indigenous Financial Services Network (IFSN) – is being established and funded by FaCSIA and financial institutions. The IFSN will continue to work together to address the issues identified through the NIMMA project.

The positive outcomes of the NIMMA project have been attained due to the open dialogue among IBRG members. Notwithstanding, it is recognised that the challenges, issues, key findings and possible actions may not reflect the views of individual IBRG members.

NIMMA - Financial Literacy Actions

This table includes actions that have been committed to by IBRG members and others.

Theme	Issue	Action	Outcome	Responsibility	Target Date
Improving financial literacy resources	Duplication of materials.	Establish an ongoing IBRG forum to continue an open dialogue amongst providers of existing financial literacy programs and resources to regularly share information.	Increased sharing of resources and information.	IBRG and RA	Oct-07
	Low awareness of resources.	ASIC to launch national radio campaign to promote their financial literacy and consumer support resources.	Increased awareness of existing resources.	ASIC	Oct-07
		FLF to launch listing of existing financial literacy resources on their website.		FLF	Oct-07
Increasing access to and the delivery of financial literacy programs	Many people do not have access to existing Indigenous-specific financial literacy programs.	Develop Indigenous-specific online financial literacy website and training program.	Increased access to financial literacy training.	CUFA	Dec-07
		Roll out Opening Financial Pathways training program in Shepparton.		ANZ and First Nations Foundation	Dec-07
		Ongoing funding of FIM training program in Cape York.		Westpac and FaCSIA	Dec-07
		Ongoing funding of Money Business training program in NT.		ANZ and FaCSIA	Dec-07
		Ongoing funding of the ICAN financial literacy program.		CBA and ICAN	Dec-07
		Ongoing funding of TCU financial literacy program.		TCU and ANZ	Dec-07

NIMMA - Financial Literacy Actions

This table includes actions that have been committed to by IBRG members and others.

Theme	Issue	Action	Outcome	Responsibility	Target Date
(Cont.)	Financial literacy training not provided in schools.	Pilot of Money Sense for Indigenous children in schools.	Extended reach of existing financial literacy programs.	CBA	Dec-08
		Assist in development of support for teachers of Indigenous children to provide financial literacy training based on survey of teachers conducted by the Financial Literacy Foundation.	Teachers confident in delivering financial literacy training to Indigenous students.	FLF/DEST	Dec-08
Understanding what works to improve financial literacy	No measurement of Indigenous financial literacy competency (Australia wide).	Undertake survey of financial literacy capability of Indigenous people in urban WA.	Information provided on financial literacy levels in WA and possible model to roll out national survey.	Edith Cowan University and AIATSIS	Dec-08
Educating about government payments	Indigenous government payment recipients 75% more likely than non-Indigenous to incur government payment debt.	Roll out the Centrelink Indigenous debt prevention strategy and report on results.	Reduced levels of government payment debt amongst Indigenous clients.	Centrelink	Dec-08
Educating about rights and responsibilities	Lack of understanding of consumer rights and responsibilities can lead to financial hardship.	Promote existing ASIC and ICAN resources for Indigenous consumers via Indigenous radio programs.	Increased awareness of consumer rights and where to go for support.	ASIC and ICAN	Dec-08
Advocating availability of financial literacy programs and resources	Lack of awareness of availability of existing financial literacy programs and resources by Indigenous communities and consumers.	Promote existing financial institution financial literacy programs and resources.	Increased awareness of financial literacy programs and resources.	ABA and Abacus	Dec-08

NIMMA - Financial Literacy Options

These issues and options will be considered over the next two years by the ongoing IBRG forum.

Theme	Issue	Options	Outcome	Responsibility
Improving financial literacy resources	Some Indigenous consumers in remote areas have a poor understanding of the economy.	Assess trainees' level of knowledge before commencing training and include topics on concepts of the economy as required to meet the needs of Indigenous people in remote locations.	Indigenous people's knowledge base built on when providing financial literacy training.	Financial literacy program providers
	Low awareness of resources.	Raise awareness of existing training programs and resources available.	Increased awareness and use of existing resources.	Financial literacy program providers
	English is not the first language for many in remote communities.	Provide more resources and programs in Indigenous languages.	Increased access to existing resources.	Financial literacy program providers
	Materials developed to inconsistent standards.	Use and promote good practice guidelines in developing and evaluating resources.	Help to ensure high standard of training resources are developed.	Financial literacy program providers and FLF
Increasing access to and improving the delivery of financial literacy programs	Many people do not have access to existing Indigenous-specific financial literacy programs.	Extend existing programs to more Indigenous people.	Increased numbers of people who have access to Indigenous-specific face to face financial literacy training.	Australian Government and financial services industry
	Delivering face to face training is expensive.	Engage other partners, for example employers of Indigenous people or health organisations to provide existing training programs to their staff and clients.	Increased numbers of people that have access to Indigenous-specific face to face financial literacy training.	Financial literacy program owners
	Currently most Indigenous financial literacy training programs focus on remote and regional areas.	Partner with organisations in urban areas to extend reach of programs to Indigenous people in urban locations.	Increased numbers of people that have access to Indigenous-specific face to face financial literacy training.	Financial literacy program owners and community organisations.
	Financial literacy training is not part of school curriculum in all states/territories.	Consider needs of Indigenous students when developing financial literacy in the school curriculum under the MCEETYA strategy. Leverage experience of Junior Income Management program and Commonwealth Bank student financial literacy program.	Indigenous students achieving high financial literacy competency levels through the school curriculum.	DEST, CBA, Westpac
	Limited access to the internet to use online self-directed training resources.	Enhance telecommunications (including broadband connectivity) and computer training skills in remote and regional locations.	Increased use of self-directed online training resources.	DCITA

NIMMA - Financial Literacy Options

These issues and options will be considered over the next two years by the ongoing IBRG forum.

Theme	Issue	Options	Outcome	Responsibility
(Cont.)	Poor literacy and numeracy make developing financial literacy skills more difficult.	Implement strategy to improve literacy and numeracy for Indigenous students and adults.	Improved literacy and numeracy will enhance ability to develop financial literacy skills.	DEST
Understanding what works to improve financial literacy	Need for stronger evidence base around building financial literacy.	Agree on research that would assist in improving Indigenous financial literacy and coordinate research efforts on Indigenous financial literacy as a specific topic.	Improved Australian Indigenous-specific financial literacy research.	IFSN
	No measurement of Indigenous financial literacy competency (Australia wide).	Review WA research into financial literacy levels of Indigenous people in WA and consider using this as model to roll out a regular national survey of Indigenous financial literacy capability.	A regular measure of financial literacy capability which can be used to identify areas of need, direct future funding and measure success of financial literacy work.	Edith Cowan University and IFSN
	Participation rates, impacts and learnings of training programs not shared publicly.	Record participation rates in financial literacy programs and share financial literacy project research with other providers.	Help measure impact and reach of existing programs and identify areas of need. Help to improve standard of training overall.	Financial literacy program providers
Educating about government payments	Low awareness of range of Centrepay payees.	Develop and implement a communication strategy to promote Centrepay services to Indigenous people.	Increased awareness and use of Centrepay to manage payment obligations.	Centrelink
	Misuse of Centrepay by unscrupulous individuals and organisations has been reported by consumer advocacy groups.	Audit and assess Centrepay registered organisations to ensure that deductions are for essential goods and services.	Reduced possibility of misuse of Centrepay by unscrupulous individuals and organisations.	Centrelink
		Continue to work with financial counsellors and Indigenous consumer advocates to provide feedback to Centrelink on use of Centrepay facilities experiencing financial difficulty as a result of dealing with unscrupulous Centrepay payees.	Relationship between consumer agencies and Centrelink improved to reduce the impact of unscrupulous practices.	Centrelink, AFCCRA, Consumer Affairs Departments, ICAN, ASIC
Educating about rights and responsibilities	Lack of understanding of consumer rights and responsibilities can lead to financial hardship.	Provide Indigenous people with more information and guidance about their consumer rights and responsibilities in easy-to-understand resources.	Increased awareness of consumer rights and where to go for support.	ASIC, ICAN, State Consumer Affairs agencies

NIMMA - Indigenous Consumer Actions

This table includes actions that have been committed to by IBRG members and others.

Theme	Issue	Action	Outcome	Responsibility	Target Date
Electronic banking – ATM, EFTPOS, phone and internet banking	In remote areas, consumers have limited access to own bank ATMs and incur fees when using foreign ATMs. This has a high impact on low income earners.	Review fees and/or direct charging costs for ATMs in remote areas.	Lower cost to access services via ATMs in remote areas	Consumer ATMs and RA	Dec-08
Establishing best practice customer service	Financial services staff have limited understanding of Indigenous culture and Indigenous consumer needs.	Develop cultural awareness training for financial services staff. Set targets for relevant staff completing training.	Trust and relationships built with Indigenous consumers.	RA and financial institutions	Feb-08
	Some Indigenous people do not have trusting relationships with mainstream institutions due to a range of factors including poor past experiences.	Research best practice service delivery standards for the banking and finance sector. Monitor provision of banking services against standards. Promote best practice providers to Indigenous consumers.		First Nations Foundation and financial institutions	Dec-08
	Limited numbers of Indigenous staff employed in financial services industry.	Increase employment of Indigenous people in financial institutions, including via scholarships, traineeships, mentoring, the Aboriginal Employment Strategy (AES) and the Department of Employment and Workplace Relations (DEWR) Indigenous employment initiatives.	Increased number of Indigenous people employed in financial services.	ANZ, NAB, CBA, Westpac and RA through RAPs	Dec-08
Managing ID requirements	The anti-money laundering and counter-terrorism financing reforms include account opening identification requirements that may exclude people without sufficient identification from opening accounts.	Work with Government to include changes to legislation that will take into account financial exclusion issues and do not impose additional restrictions on Indigenous people.	Access to opening accounts is not restricted for Indigenous people without identification.	ABA, Abacus, RA	Dec-08

NIMMA - Indigenous Consumer Actions

This table includes actions that have been committed to by IBRG members and others.

Theme	Issue	Action	Outcome	Responsibility	Target Date
Lifting savings and encouraging savings behaviour	Low income earners have low levels of saving and capacity to save.	Extend Saver Plus program to selected participants in Money Business sites.	Increased savings behaviour and savings of target groups.	ANZ and FaCSIA	Dec-08
		Implement matched saving support program for home deposits for customers of the Home Ownership on Indigenous Land (HOIL) program.		IBA and FaCSIA	Dec-08
Making housing more affordable by improving access to home lending	Home ownership rates are significantly lower for Indigenous than non-Indigenous people.	Develop Indigenous home ownership paper.	Increased understanding of home ownership issues and needs for Indigenous consumers.	ANZ	Dec-07
		Implement HOIL program.	Home ownership on Indigenous land will be available to Indigenous people.	IBA and FaCSIA	Dec-08
Building capacity for small business enterprise	Land tenure regulation currently limits ability of financial institutions to lend money to buy houses on Indigenous-owned land.	IBA to share learnings from HOIL program with financial institutions.	Improved access to borrow funds for buying a home on Indigenous owned land.	IBA, financial institutions	Dec-08
Managing unscrupulous practices – ‘Book up’	Consumers often unaware of terms or charges for using ‘book up’ services.	Provide Indigenous people and store owners with information about how they can use book up without exposing themselves to unscrupulous practices, including key facts about ‘book up’, problems associated with ‘book up’, practices that improve management of ‘book up’, key facts about the law and places to get further assistance.	Increased awareness of ASIC ‘book up’ consumer information. Reduced exposure to unscrupulous practices.	ASIC, ABA, Abacus	Dec-08
		Encourage the implementation of policies and procedures that reduce, minimise and eliminate bad ‘book up’ practices in IBA Community Stores.	Reduced exposure to unscrupulous practices.	IBA Community Stores	Dec-08

NIMMA - Indigenous Consumer Actions

This table includes actions that have been committed to by IBRG members and others.

Theme	Issue	Action	Outcome	Responsibility	Target Date
Improving consumer support services	Indigenous consumers less likely to make complaints and some have low awareness of where to go for help with consumer issues.	Awareness campaigns via radio to promote consumer advocacy services and information.	Increased awareness of existing support services and resources.	ASIC and ICAN	Jul-08
	No formal process to share information about Indigenous people's financial counselling needs and crisis support issues.	Establish an Indigenous financial counsellors' support network.	Share information about issues and Indigenous consumers' needs for financial counselling services.	AFCCRA	Dec-08
	Access to financial counselling services for Indigenous people is low and there are waiting lists for financial counselling services in all states/territories.	Develop and implement a strategy to fund AFCCRA to support financial counsellors for Indigenous people.	Increased access to financial counselling services.	AFCCRA and Australian and State/Territory Government agencies	Dec-08
Advocating availability of banking products and services	Lack of awareness of availability of banking products and services by Indigenous communities and consumers.	Promote existing banking products and services.	Increased awareness and banking products and services.	ABA, Abacus	Dec 08

NIMMA - Indigenous Consumer Options

These issues and options will be considered over the next two years by the ongoing IBRG forum.

Theme	Issue	Options	Outcome	Responsibility
Improving access to banking services – Face to face banking	Many Indigenous communities in remote areas don't have access to face to face banking services.	Fund best practice TCU model of delivering face to face banking access in remote locations.	Improved access to face to face banking, improved ability to save, transact, open accounts and improve financial literacy.	Financial institutions and Australian Government
		Consider funding APY lands COAG trial sites with banking services.		Financial institutions and Australian Government
		Consider funding more Bank@PostTM services in remote areas.		Australian Government and Australia Post
Improving access to banking services and technology – Electronic banking – ATM, EFTPOS, phone and internet banking	In remote areas, consumers have limited access to own bank ATMs and incur fees when using foreign ATMs, which has a high impact on low income earners.	Introduce practices and policies that reduce and minimise ATM fees for Indigenous consumers in remote locations where there is limited access to face to face or alternative banking services (for example, review fees and/or implement ATM direct charging model).	Lower cost to access services via ATM in remote areas.	Financial institutions and third party ATM deployers
		Design innovative systems to enable Indigenous consumers to check account balances and track recent transaction activity, such as mobile banking/internet kiosks.	Cheaper alternative to ATM or face to face banking provided.	DCITA, financial institutions, telecommunications providers
		Provide Indigenous people with information on how to reduce and minimise fees by modifying their banking behaviour.	Improved financial literacy and ability to manage fees.	Financial literacy training providers, financial institutions, ABA, Abacus
	Limited access to computers and the internet in remote and rural communities.	Fund access to broadband and internet access and provide training.	Internet banking participation rates by Indigenous people lifted and a cheaper alternative to ATM or face to face banking provided.	DCITA, financial institutions, telecommunications providers
	Lack of trust using internet banking.	Promote LGANT internet banking training DVD and provide internet banking training to indigenous consumers via internet kiosks or through branch staff.		NT Government, financial institutions, financial literacy program providers

NIMMA - Indigenous Consumer Options

These issues and options will be considered over the next two years by the ongoing IBRG forum.

Theme	Issue	Options	Outcome	Responsibility
Establishing best practice customer service	Limited measures to track Indigenous customer participation and satisfaction with financial services.	Develop surveys to measure Indigenous consumer satisfaction with service providers. Measure take up rates of products and services by Indigenous consumers	Measure access to products and services and areas where best practice customer service is being achieved and to highlight issues.	Government and financial institutions
Improving banking communications	English not a first language for people in remote communities. This makes communicating with financial services organisations more difficult.	Provide information in language or access to translators.	Improved comprehension of financial services information.	Financial institutions (with support of ABA and Abacus), Australian Government
	Financial services 'jargon' and disclosure requirements can make product and contract information complex and difficult to understand.	Simplify product disclosure information without compromising legal and regulatory compliance.	Simplified information and improved comprehension of financial services information.	Financial institutions
	Low levels of awareness of range of financial products and services available.	Develop and implement a communication strategy to encourage use of existing banking products and services by Indigenous consumers.	Improved awareness of products available, opportunity to choose suitable products to meet banking needs and minimise cost of banking.	ABA, Abacus, financial institutions
Managing ID requirements	In remote areas with no access to face to face banking, providing ID for the purpose of opening accounts can be difficult and expensive (due to travel costs).	Streamline identification processes, particularly for people living in remote areas with limited access to face to face banking.	Improved access to account opening.	Financial institutions
	There is a lack of understanding of ID requirements for opening bank accounts and the need to keep records.	Increase participation in financial literacy programs that provide information on banking practices (eg account opening and ID requirements) and consumer rights and responsibilities.	Increased awareness of how to open accounts and access to financial services.	Financial institutions and financial literacy training providers
Understanding credit history, files and assessment	Poor credit history and lack of understanding of credit file information can lead to exclusion from borrowing money from mainstream institutions.	Improve communication to Indigenous people about Veda Advantage credit file reporting process and accessing information.	Improved access to and understanding of how to manage credit file information.	Veda Advantage, financial literacy training providers

NIMMA - Indigenous Consumer Options

These issues and options will be considered over the next two years by the ongoing IBRG forum.

Theme	Issue	Options	Outcome	Responsibility
Suitable products – Transacting	Direct debit and overdrawn account fees exist even on low cost products and have an impact on low income earners.	Review exception fees that impact on low income consumers.	Banking more affordable for low income consumers.	Financial institutions
	Poor awareness of low fee products and how to minimise fees.	Encourage participation in financial literacy training that explains how to minimise fees and charges	Increased awareness of how to choose suitable products to meet needs and minimise cost of banking.	Financial institutions and financial literacy training providers
Suitable products – Personal credit	Some consumers don't meet standard lending criteria but need access to small loans and are not aware of product options available.	Expand on existing NILSR programs and micro-credit products, increase promotion to Indigenous consumers and measure participation rates.	Increased participation by Indigenous people and improved access to affordable lending products.	Financial institutions, government agencies and community groups
	Consumers do not understand how fees are charged, are concerned that they are charged in error and do not understand credit product terms.	Publish further information about customer service commitments and responsible lending practices to Indigenous people, including explaining credit contract terms, repayments and affordability, managing debt, and fees and charges.	Improved perceptions about the cost of banking products and services.	Financial institutions
	Changed financial circumstances can lead to financial hardship.	Review credit assessment procedures, assess standard lending criteria and develop processes to assist Indigenous consumers manage obligations when their financial circumstances change.	Consumers helped to overcome financial difficulties with their credit product and develop a repayment plan or refinancing options.	Financial institutions and consumer advocacy agencies
	Credit products approved for consumers that cannot afford repayments.	Coordinate formal and timely responses to systemic incidents of non-compliance with lending policies, including collaboration between financial institutions, consumer advocacy agencies and regulatory agencies, as required.	Reduced financial hardship and rates of default incurred through inability to service debt.	Financial institutions, consumer advocacy agencies and regulatory agencies
Lifting savings and encouraging savings behaviour	Low levels of saving and capacity to save for low income earners.	Encourage financial institutions and government agencies to build on existing matched savings and expand access to Indigenous people.	Increased savings behaviour and savings of target groups.	Financial institutions, Australian Government and State/Territory Governments

NIMMA - Indigenous Consumer Options

These issues and options will be considered over the next two years by the ongoing IBRG forum.

Theme	Issue	Options	Outcome	Responsibility
Making housing more affordable by improving access to home lending	Despite the success of IBA Homes program there is a waiting list of eligible clients.	Encourage additional capital for IBA Homes program.	Indigenous home ownership rates by Indigenous people lifted and waiting lists for IBA programs reduced.	IBA
		Develop and implement innovative lending programs to lift Indigenous home ownership (eg moving IBA home clients to mainstream lenders when appropriate, thereby freeing up IBA capital to meet demand).	Indigenous home ownership rates by Indigenous people lifted.	Financial institutions, IBA
	Home ownership rates are significantly lower for Indigenous than non-Indigenous peoples.	Provide Indigenous people with information and guidance on housing, home ownership and lending,	Indigenous people able to make informed investment decisions to suit their individual and family circumstances and commitments.	Financial literacy program owners
	Land tenure regulation currently limits ability for financial institutions to lend money to buy houses on Indigenous-owned land.	Amend land tenure arrangements on Indigenous owned land to improve home ownership opportunities.	Improved access to borrow funds for buying a home on Indigenous-owned land.	Australian Government, State/Territory Governments
Building capacity for Indigenous small business enterprise	Low awareness of programs available for small business enterprise development.	Expand on existing business enterprise programs.	Increased participation by Indigenous people and improved access to micro-enterprise programs and affordable business lending products.	Financial institutions, Australian Government and community groups
		Provide Indigenous people with information, guidance and advice about existing business enterprise programs and schemes.	Increased participation by Indigenous people and improved access to micro-enterprise programs and affordable business lending products.	IBA, DEWR, financial institutions
	Its uncertain whether demand for business support services outstrips available program resources.	Commission further research into Indigenous-specific business enterprise needs.	Identification of how programs and resources can be tailored to meet the specific needs of Indigenous communities, particularly in remote areas.	IFSN

NIMMA - Indigenous Consumer Options

These issues and options will be considered over the next two years by the ongoing IBRG forum.

Theme	Issue	Options	Outcome	Responsibility
Improving regulation of unscrupulous practices – ‘book up’	Protection from unscrupulous practices is not available to consumers in all states.	Regulate unscrupulous practices targeting Indigenous consumers.	Fair ‘book up’ practices regulated and monitored in all states.	ASIC, State/Territory Governments, financial institutions
		Encourage the implementation of policies and procedures that reduce, minimise and eliminate bad ‘book up’ practices.	Reduced exposure to unscrupulous practices.	Financial institutions, government agencies, community representatives
Improving regulation of unscrupulous practices – pay day lenders	Equal regulatory protection from excessive fees and interest charges by pay day lenders is not available in all states/territories.	Implement changes to credit legislation to take account of non-conforming and unregulated lenders and introduce consistent regulatory protection for consumers.	Protection provided to consumers against excessive fees and charges.	Consumer advocacy agencies and State/Territory Governments
	Consumers unaware of risks or unscrupulous credit terms.	Increase access to consumer protection information.	Consumers able to make informed choices to avoid unscrupulous practices.	Financial literacy program owners and consumer advocates
	Large fees and debts can be incurred by using non-mainstream lenders and some consumers do not qualify for mainstream credit products.	Increase access to mainstream small loan products.	Consumers given options so they don’t need to rely on pay day lenders’ products.	Financial institutions and community organisations
Improving consumer support services	Indigenous consumers less likely to make complaints and some have low awareness of where to go for help with consumer issues.	Provide Indigenous people with information about existing consumer support services and financial literacy programs and resources.	Increased awareness of existing support services and resources.	Financial literacy providers, ICAN, ASIC, AFCCRA
	Available resources for consumer services do not meet current needs.	Develop and implement a strategy to fund consumer advocates (such as ICAN) to support consumer advocacy for Indigenous people.	Increased access to consumer support services.	ICAN, Australian Government and State/Territory Governments
		Encourage increased government funding for consumer protection authorities dedicated to servicing Indigenous consumers. Increase investigations and enforcement activities against unscrupulous individuals and organisations.		ASIC, State/Territory Governments

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Background to NIMMA

1 Overview

The sophistication of financial markets, including a wider range of products and services, has highlighted the need to better inform consumers about selecting products, utilising services and managing money. Internationally and domestically, governments, researchers and financial institutions have been exploring ways to better educate consumers about banking products and services and broaden consumers' financial understanding.

Since 1999, research conducted by the Australian National University's (ANU) Centre for Aboriginal Economic Policy Research (CAEPR)¹ into financial literacy, access to banking services and the potential for increasing economic development for Indigenous communities, has highlighted specific issues for Indigenous Australians in accessing banking services and developing financial literacy skills.²

A co-ordinated approach to addressing issues faced by Indigenous consumers living in remote, regional and urban communities is required to achieve the goal of greater financial independence, prosperity and wellbeing for Indigenous people.

This background paper explores the current challenges faced by Indigenous consumers in acquiring financial literacy skills and equitable access to financial services, as well as the challenges and issues faced by providers of financial literacy training, banking products and services. The paper also discusses existing programs, resources, products and services and proposes options for the way forward in addressing the challenges and issues.

In 2002, Reconciliation Australia (RA), in association with the Aboriginal and Torres Strait Islander Commission (ATSIC), the former Department of Family and Community Services (now the Department of Families, Community Services and Indigenous Affairs) (FaCSIA), Indigenous Business Australia (IBA), the Financial Planning Association of Australia (FPA) and Gilbert and Tobin, hosted a workshop, *Improving banking and financial services for Indigenous Australians*.

This workshop was the first time that key stakeholders had been brought together to debate and progress issues associated with access to banking and financial services. CAEPR provided the background paper which directed discussions for this conference.³ It was attended by 100 representatives from the banking and finance sector, including representatives from the

major banks, Australian Bankers' Association (ABA), Indigenous credit unions, peak Indigenous organisations, including land councils, ATSIC and IBA. There were also representatives from all tiers of government, the major political parties, academia and the wider business community.

A key outcome identified at the workshop was that generating real improvements in Indigenous people's access to banking and financial services would require a partnership between government, Indigenous organisations and financial institutions.⁴

In 2004, RA and the ABA organised an industry roundtable, *Banking and Financial Services in Remote Communities*. The industry roundtable built on the discussion at the workshop in 2002 and confirmed the importance of a partnership approach that involved creative options for addressing Indigenous people's social, economic and financial disadvantage. A specific area of attention concerned 'book up' practices that further disadvantage Indigenous people.

In 2004, FaCSIA provided funding to RA to establish the National Indigenous Money Management Agenda (NIMMA) project through the Prime Minister's Community Business Partnerships program.⁵ In 2005, RA formed a partnership with FaCSIA to bring together stakeholders to identify creative options for delivering better financial services and education to Aboriginal and Torres Strait Islander communities.

Indigenous Banking Reference Group

The Indigenous Banking Reference Group (IBRG) was initially established to:

- act as the steering committee responsible for overseeing project activities and tasks;
- meet as required and establish mechanisms to ensure the successful completion of the NIMMA project; and
- consider and endorse all reports from RA, before they are forwarded to the funding body FaCSIA for approval.

¹ For more information on CAEPR research articles go to their website at <http://www.anu.edu.au/caepr/>

² S. Schagen and A Lines, *Financial Literacy in Adult Life*, National Foundation for Education Research, Slough, United Kingdom, 1996, p.ii.

³ S. McDonnell and N. Westbury, *Banking on Indigenous communities: Issues, options, and Australian and international best practice*, 'Improving Banking and Financial Services for Indigenous Australians' conference. Sydney, NSW, May 8- 9 2002 <http://www.anu.edu.au/caepr/Publications/WP/CAEPRWP18.pdf>

⁴ *Talkin' Money Business*, proceedings of the workshop on 'Improving Banking and Financial Services for Indigenous Australians'. Sydney, NSW, May 8- 9 2002

⁵ For more information on the Prime Minister's Community Business Partnerships program visit the website <http://www.partnerships.gov.au/>

However, the primary activity of the IBRG has been to provide input and advice to RA and FaCSIA on options to improve the level of financial literacy and accessibility to retail banking products and services among Indigenous consumers. The IBRG also seeks to take appropriate action to foster collaboration, partnerships and deliver meaningful outcomes for Indigenous consumers.

The IBRG includes representatives from the major banks, ABA, First Nations Foundation, Traditional Credit Union, Abacus – Australian Mutuals, telecommunications providers, community and consumer organisations and government agencies.⁶

At the 2007 Australian Financial Counsellors and Credit Reform Association (AFCCRA) Annual conference, placing the NIMMA project in context, Paul Briggs, Chair of the IBRG and Chairman of the First Nations Foundation observed:

“We are still negotiating and affirming the value of Indigenous people to the financial services industry and constructing a rationale that engages this sector in the notion of investment with Indigenous people, not as deficit, not as dependants, not as costs to society or the financial services sector that have to be written off with out reward. We need to work towards building a model that creates ownership by Indigenous people of financial institutions, and knowledge and accountability of financial institutions to knowing their Indigenous customers.”⁷

In addition to working with the IBRG, RA consulted with the Australian Tax Office (ATO) on the provision of tax services for Indigenous Australians and the Superannuation Complaints Tribunal on access to superannuation.

IBRG members have indicated a strong willingness to take up individual strategies and actions to improve money management for Indigenous consumers. The challenges, issues, key findings and possible actions may not reflect the views of individual IBRG members.

RA, First Nations Foundation and FaCSIA would like to extend their thanks to the IBRG membership for their support and commitment to working with Indigenous people and communities to improve their access to financial literacy and financial services.

1.1 Purpose of the NIMMA project

The project involves the development and implementation of a National Indigenous Money Management Agenda (NIMMA).

The purpose of the NIMMA as outlined in the project agreement from FaCSIA to RA is to improve the money management skills of Indigenous people and their access to appropriate financial services and products, wherever they live.

The objectives of the NIMMA project are to:

- (1) Improve money management training and skills for Indigenous people.
- (2) Improve access to retail banking services for urban, rural and remote customers.
- (3) Improve the availability of and access to appropriate money management products for Indigenous people.
- (4) Encourage a strong commitment by relevant agencies and organisations to commit to and progress these objectives.

The NIMMA project identifies a number of strategies and possible actions for improving money management for Indigenous consumers. However, IBRG members and others will continue to drive long term change for improving the financial independence and wellbeing of Indigenous people and communities beyond the life of the NIMMA project.

The IBRG recognises that a long term commitment is required by governments, businesses and communities to work towards the objectives outlined in the NIMMA project.

Many IBRG members are already engaged in activities aimed at improving financial literacy and access to banking products and services for Indigenous people and are already working together to further develop initiatives. The diversity of the IBRG membership means that some options may be more practical than others for some organisations to implement or influence outcomes.

The options for improving the levels of financial literacy and access to banking products and services have been deliberately left broad to encourage wider recognition and adoption of the NIMMA strategies and possible actions by services, agencies, businesses and organisations not directly involved in the NIMMA project.

⁶ Details of the IBRG are available in Appendix A

⁷ Paul Briggs – AFCCRA Conference June 2007

1.2 Scope of the NIMMA project

Previous investigations of levels of financial literacy and access to banking products have focused on the needs of Indigenous people living in remote locations. The IBRG agreed that it was also important to consider the needs of Indigenous Australians living in urban and regional areas, as this is where the majority (70 per cent) of the Indigenous population lives, and their challenges and issues differ from those of Indigenous people living in remote locations. The IBRG recognised that Indigenous people living in urban and regional areas on low incomes deal with many of the same issues as all low income earners. However, there are also issues regarding culture and relationships with financial institutions and other businesses that are unique to Indigenous consumers.

The NIMMA project has focused on levels of financial literacy and access to retail banking products and services for Indigenous consumers.

The IBRG determined that superannuation, insurance, financial advice, taxation and governance of community organisations would not be included in the initial deliberations of the NIMMA project. The NT Emergency Response was being formulated late during the NIMMA project and the IBRG has not considered the response and its initiatives that may have a direct effect on welfare payments and money management issues for Indigenous people.

While these matters remain outside the scope of the immediate NIMMA priorities, these issues are recognised as requiring further consideration by governments and stakeholders over the longer term.

The NIMMA project will be of interest to a wide audience particularly:

- Australian, State and Territory Governments;
- banking and finance sector representatives;
- community organisation representatives; and
- Indigenous community representatives.

1.3 Structure of the NIMMA project

The following NIMMA project documents have been produced to inform the target audience and encourage governments, businesses and communities to take action. The NIMMA project documents are:

1. **National Indigenous Money Management Agenda –** Presented as short term and long term action tables, these tables outline the major outputs from the NIMMA project and identify where IBRG members have agreed to take further action.
2. **Banking for the future: a background paper on financial literacy and financial services for Indigenous Australians –** Current status of money management for Indigenous Australians, including consideration of challenges and issues identified through consultations; identification of key issues and possible actions and strategies; the way forward for improving financial literacy, access to banking products and services, and Indigenous consumer support services.
3. **NIMMA community consultation document –** Urbis Key Young research report which presents findings based on feedback from interviews with approximately 120 Indigenous people in remote, regional, and urban locations across Australia. Interviews were conducted in 2006 to identify community needs and issues in relation to money management.⁸
4. **NIMMA website –** Background to the NIMMA project and relevant statistics and related research which informed the NIMMA project.

⁸ Urbis Keys Young, 2006. *National Indigenous Money Management Agenda: Community Consultations Final Report*. October. Sydney NSW

2 Key findings

A review of existing literature, the NIMMA consultations with Indigenous communities, and feedback from financial institutions, government agencies and consumer advocates found that the following strategies and actions would support the improvement of financial literacy and access to banking for Indigenous consumers:

- **Establishing an ongoing dialogue** – Further co-ordination of efforts among Indigenous consumers, financial institutions, government agencies and consumer and community advocates should promote flexible, enduring and targeted outcomes and expand existing efforts.
- **Raising awareness** – Develop better communication strategies around existing financial literacy programs and resources, financial products and services and consumer support services. Better targeting of messages to Indigenous consumers is required to increase awareness of the financial literacy resources, financial products and services and consumer support services that are available.
- **Investing in financial literacy programs, resources and training delivery** – Long term investment needs to be made in culturally appropriate face to face training for school age children and adults. Training needs to be relevant to Indigenous peoples' lives and delivered by trainers that are trusted by the community. Access to training can also be improved by creating partnerships to foster and expand the delivery of existing programs and by increasing access to the availability of internet and online resources and connecting with other organisations such as schools, employers and health care agencies to deliver existing training programs and resources.
- **Investing in financial counselling and consumer support services** – Long term, enduring funding for crisis and consumer support services to continue face to face contact with Indigenous consumers, particularly in remote areas, is required to meet demand for these services. Access to financial counselling services is limited by lack of awareness and inadequate funding to meet demand for these services. Consumer protection agencies also need to be resourced to increase access to information for Indigenous consumers and investigations of unscrupulous traders, merchants and fringe financial services providers.
- **Promoting cultural awareness training** – Cross cultural training for the staff of financial institutions, government agencies and consumer advocates is needed to build understanding about Indigenous consumers' needs and engender mutual respect and trust.
- **Building, implementing and extending employment strategies** – Employment strategies are needed to encourage more Indigenous people (including student and graduate programs) to work in the financial services industry.
- **Conducting research into Indigenous consumer behaviour** – Further research is needed to better understand cultural and behavioural influences, consumer needs, and what works to drive future responses and action. Research into Indigenous consumer behaviour and measures of financial literacy capability of Indigenous people will assist in monitoring, measuring and tracking improvements in levels of financial literacy and access to banking products and services among Indigenous consumers.
- **Promoting access to banking products and services for Indigenous consumers** – Recognising the benefits of face to face banking, applying technology and encouraging the uptake of appropriate products and services by Indigenous consumers can improve accessibility of Indigenous consumers in all locations to mainstream financial services and broader economic engagement.

Consideration of products, services and policies that were determined as outside the scope of the NIMMA project, including **superannuation, insurance, financial advice, taxation and governance of community organisations** is needed to develop the money management skills of Indigenous consumers, increase the availability of and access to appropriate financial products and services by Indigenous consumers and improve the financial situation of Indigenous people.

3 Context

Financial inclusion, being able to make decisions about managing money and having access to information to choose appropriate financial products is critical for improving the overall health and wellbeing of Indigenous people.

The following section draws on the 2007 *Overcoming Indigenous Disadvantage: Key Indicators Report* commissioned by the Council of Australian Governments (COAG). It clearly articulates the broader challenges faced by Indigenous people around schooling, working and home ownership, all of which can impact on Indigenous people's ability to manage their money as well as choose and access appropriate products and services to meet their needs.

Schooling for Indigenous people

"Students who stay on at school and complete year 12 are much more likely to undertake additional education and training. In turn, they will have more, and better, employment options."⁹ ABS Census information indicates that in 2006, 31.8 per cent of Indigenous people aged 17 years were participating in school education compared to 64.7 per cent of non-Indigenous 17 year olds. Clearly such low retention rates impacts on overall literacy and numeracy levels among Indigenous adults.

The Financial Literacy Foundation has worked with State and Territory education jurisdictions and the Catholic and Independent schools sectors to develop a National Consumer and Financial Literacy Framework for the compulsory years of schooling (kindergarten to year 10). The Framework was developed in 2005 under the direction of the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA). Under the Framework, all Australian school children will progressively receive financial literacy education in their compulsory years at school. Given the relatively low attendance and retention levels of Indigenous children consideration should also be given to how financial literacy education can reach the Indigenous young people who aren't attending school.

Labour force participation by Indigenous people

Employment and income are important determinants for living standards, self-esteem and overall wellbeing. Higher income can enable the purchase of better food, housing, recreation and health care.

Indigenous people are three times more likely to be unemployed than non-Indigenous people with an unemployment rate of 13 per cent. The average weekly income of Indigenous people in 2005 was \$340 compared to \$618 for non-Indigenous people.¹⁰

Home ownership by Indigenous people

In 2002¹¹ a much lower proportion of Indigenous adults (27 per cent) compared to non-Indigenous adults (74 per cent) lived in homes owned or being purchased by a member of the household.¹²

The COAG report highlights an important consideration for organisations developing home ownership programs in remote areas.

"Many Indigenous people said that home ownership was an important part of improving Indigenous wellbeing. Home ownership can provide financial security. Others suggested that not all Indigenous people wanted to own their own homes, and that those in more remote areas and living more traditional lifestyles may prefer a more communal form of ownership."¹³

Whilst acknowledging that education levels, income and assets do influence people's ability to manage their finances and engage with mainstream services, this paper focuses on opportunities that can promote greater economic participation and empowerment for Indigenous Australians.

The following sections highlight examples where financial services, government and community organisations are already working to help improve these issues.

Employment strategies for Indigenous people

The Aboriginal Employment Strategy's (AES) high school traineeship program being run in conjunction with several financial institutions offers paid part-time work and training to Indigenous high school students. By providing mentor support and financial incentives for Indigenous students to stay in school for years 11 and 12 and to pursue university education, the program provides a path to employment in financial services organisations. The program also develops the students' financial literacy skills, which they can potentially share with their families and communities.

⁹ Steering Committee for the Review of Government Service Provision, *Overview of Overcoming Indigenous Disadvantage: Key Indicators Report 2007*, Commonwealth of Australia, Canberra 2007, pg 13 <http://www.pc.gov.au/gsp/reports/indigenous/keyindicators2007/chapters/overview.pdf>

¹⁰ *Overview of Overcoming Indigenous Disadvantage: Key Indicators Report 2007*, pg 16

¹¹ The most recent year for which both Indigenous and non-Indigenous data are available.

¹² *Overview of Overcoming Indigenous Disadvantage: Key Indicators Report 2007*, pg 17

¹³ *Overview of Overcoming Indigenous Disadvantage: Key Indicators Report 2007*, pg 18

A number of financial institutions also have in place employment, student and scholarship programs for Indigenous people. These programs supplement the AES program.

The Indigenous Capital Assistance Scheme and New Enterprise Incentive Scheme which are funded by the Australian Government and a major bank, provide support for Indigenous small business development, which can lead to positive employment outcomes.

Financial literacy, saving and lending programs for Indigenous consumers on low incomes

Research commissioned by a bank in 2004 indicates that the risk factors influencing financial exclusion include unemployment, poverty, disability or long-term illness and low education. Indigenous people are overrepresented in all these areas of disadvantage compared to non-Indigenous people.¹⁴

For people on low incomes, financial literacy training and matched savings programs can empower them to make the most of the money they have and build resources for the future. A number of financial institutions provide programs designed to build personal savings.

The provision of basic, low cost bank accounts can enable Indigenous consumers to receive payments (including government payments) and manage their money easily without incurring additional costs for additional services. A number of financial institutions make available basic bank accounts for recipients of government payments and other eligible low income earners.

The provision of small, easily accessible and affordable loans suited to the needs of low income earners through mainstream financial institutions can also enable Indigenous consumers to manage household needs (such as cars, furniture, white goods). These small loans help low income earners avoid the risks of having to deal with unscrupulous lenders if they do not meet standard mainstream financial services lending criteria. A number of financial institutions offer micro-credit products for recipients of government payments and other eligible low income earners.

Similarly, the provision of business loans and business support has been very effective in helping Indigenous people to get into business by assisting them with business related training, mentoring and business planning and by providing loans to Indigenous people who are unable to access private sector finance. A number of financial institutions provide programs designed to build business and enterprise capacity.

Working with Indigenous communities

In considering the needs of Indigenous consumers of financial services, experiences of racism, the low number of Indigenous people working in financial services, and the limited cultural awareness of most financial services staff impact on the delivery of services to Indigenous consumers.

Service providers need to take time to build relationships with Indigenous communities, better understand and respect Indigenous culture within their organisations, and acknowledge that there is limited capacity in Indigenous communities to implement changes. Indigenous community leaders are already inundated with requests from government, industry and community organisations to implement change programs, and they have their own priorities and commitments. Indigenous communities need time to consult their communities about their needs and priorities, to build trusting relationships with service providers and to develop the capacity to implement programs that will benefit them over the long term.

In developing and delivering financial literacy training for Indigenous Australians there are unique social and cultural issues that need to be considered, including family responsibilities, attitudes to sharing resources and humbugging (asking people for money) and the literacy and numeracy skills of participants who have not completed high school. For Indigenous people living in remote areas, English is not always their first, second or even third language.

Home ownership progress for Indigenous consumers

The IBA Homes program has provided over 12,700 discounted interest loans to Indigenous people and significantly improved Indigenous home ownership rates. While IBA has been lending significant amounts in recent years, with low arrears rates, the current capital available for lending is unable to meet the demand of eligible applicants.

By increasing awareness of, and capital available for, public housing and home ownership assistance programs, Indigenous people can realise their aspirations for housing security and home ownership.

¹⁴ Chant Link and Associates, 2004, A report on Financial Inclusion in Australia, pg 95 , <http://www.anz.com/aus/values/commdevFinance/research.asp>

Indigenous money management

A review of literature and relevant studies including feedback from consultations with Indigenous people (see the *NIMMA Community Consultations Final Report*) suggests that low levels of financial literacy, limited access and exposure to financial institutions, and comparatively lower education, employment and home ownership levels among Indigenous people have contributed to social, economic and financial disadvantage. Influences of history, cultural identity and community relationships and responsibilities also impact on money management behaviours.¹⁵

Financial institutions, businesses, government agencies and community groups are currently making significant efforts to work with Indigenous communities and people to expand their understanding of, and participation in, mainstream banking and financial services.

Section 4 covers financial literacy issues and priorities for Indigenous Australians and options to address the issues. Section 5 covers issues and priorities relating to access to financial services and appropriate financial products and services for Indigenous consumers. There is some repetition across these sections as these topics are closely related and improving financial literacy levels alone will not address the need to improve the financial independence of Indigenous people.

¹⁵ C Demosthenous, B Robertson, A Cabraal & S Singh, Financial Literacy, Banking and Identity Conference *Cultural Identity and Financial Literacy: Australian Aboriginal Experiences of Money and Money Management*. Melbourne, VIC, October 25-26 October 2006 <http://mams.mit.edu.au/57nqr11j9s2fz.pdf>

4 Improving the financial literacy of Indigenous people

The OECD defines financial education as:

“The process by which financial consumers or investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial wellbeing”¹⁶

Similarly, the Australian Government’s Financial Literacy Foundation defines financial literacy as:

“The ability to make informed judgments and to take effective decisions regarding the use of money”.¹⁷

Financial literacy goes beyond the provision of financial information and advice to the ability or capacity of an individual to use financial information and apply their knowledge to make better decisions about the use of their money and the broader management of their finances.

4.1 Challenges and issues

While there is some difference in the magnitude of these challenges and issues for Indigenous people in remote and regional locations as compared to urban locations, the following list provides a general context to the priorities and actions needed to lift the levels of financial literacy among Indigenous people.

Some challenges and issues contributing to low levels of financial literacy among Indigenous people include:

- *Poor education* – Comparatively low high school and further education completion rates, literacy and numeracy levels and basic technological awareness.
- *Poor health* – Comparatively poorer health and access to medical and health services. Poor eyesight, for example, can contribute to difficulties in reading, comprehending and use of financial information and guidance about banking products and services.

- *Remoteness of location* – Trainers and resources are not readily available in all locations, particularly in remote areas. Lack of transport means it can be expensive to travel to get further information, guidance and advice. Remoteness can contribute to a lack of understanding of basic financial concepts (i.e. how the everyday economy functions) through lack of access to and experience with retail banking services.
- *Cultural barriers* – Lack of culturally appropriate banking services, financial counselling, education and training and racism can contribute to Indigenous people lacking the confidence to participate in mainstream financial services.
- *Language barriers* – Lack of information produced in Indigenous languages limits accessibility of banking products and services, particularly choice of products, services and providers. The diversity of Indigenous languages limits the ability of financial institutions to deliver financial literacy programs and resources to all Indigenous people in their first language.
- *Complex product information* – Complexity of information, due in part to legal and regulatory compliance, limits Indigenous peoples’ ability to choose and understand the products and services to best suit their banking needs.
- *Low awareness* – There are low levels of awareness of financial literacy programs and where to go for assistance.
- *Costs and resources* – Many Indigenous people prefer face to face training, but delivering face to face programs is expensive.

4.2 Priorities and actions

The following section sets out priorities and actions that could be pursued by financial institutions, businesses, government agencies and community groups to address low levels of financial literacy among Indigenous people.

4.2.1 Improving financial literacy resources for Indigenous people

Lack of understanding of how to manage money and plan expenditure can contribute to continued indebtedness.

¹⁶ OECD, 2005, *Recommendation on Principles and Good Practices for Financial Education and Awareness*, OECD Directorate for Financial and Enterprise Affairs.

¹⁷ S.Schagen & A Lines, *Financial Literacy in Adult Life*, National Foundation for Education Research, Slough, United Kingdom, 1996, p.ii.

NIMMA community consultation participants indicated that many of them feel that they do not understand how to manage their money and finances in a way that ensured they had sufficient funds for ongoing needs, particularly to pay for irregular expenses or emergencies.

"I've got it and then it goes. Nothing for tomorrow unless I give it to the Mrs."
NIMMA consultation participant

Relatively few community consultation participants have budgets that detail income and expenditure. While most participants understand that borrowing money from financial institutions meant they had to pay back the amount borrowed plus interest, there was limited (and sometimes no) understanding of what this meant in practice.

Equipping Indigenous people with the money management knowledge and the practical skills to apply their knowledge can empower them to take control of their own finances and feel more confident about their consumer and financial decisions. This can translate into better management of their household environment, their health and social wellbeing.

According to the Financial Literacy Foundation, approximately 25 Indigenous-specific financial literacy programs and resources are currently available across Australia.¹⁸ These resources cover topics such as:

- Budgeting
- Saving
- Minimising fees
- Home lending
- Applying for credit (personal loans and credit cards)
- Managing debt
- Managing mobile phone bills
- Centrelink payment support
- Using book-up
- EFTPOS card and PIN security
- Internet banking
- Mentoring support for running a small business
- Buying cars
- Consumer advice on making complaints
- Tax information¹⁹

Within these resources, many topics are duplicated and, to date, there has been little sharing of information among providers of financial literacy programs.

The NIMMA community consultations emphasised that despite the range of financial literacy programs and resources available from financial institutions, government agencies and community groups, many Indigenous people still report a significant need for money management training and experience financial hardship due to poor financial literacy. Many people reported that they do not know that existing training programs and resources were available or where to go for information on money management issues. Others reported that information was not relevant or targeted at issues most important to them.

FaCSIA has developed an accredited training qualification, Certificate III in Financial Services, aimed at Indigenous workers employed to deliver Indigenous money management services. This qualification recognises the skills of workers delivering Indigenous money management services and is transferable within the financial services sector.

Expanding on existing initiatives, avoiding further duplication, increasing sharing of resources and redirecting resources to under-resourced areas could result in better targeting to a wider Indigenous audience.

Options

Options that providers of financial literacy training could take up to help improve the financial literacy resources for Indigenous people are:

- Continue an open dialogue among existing providers of financial literacy programs and resources to regularly share information and avoid further duplication.
- Encourage financial institutions, additional service providers, businesses, government agencies and community groups to work in partnership to expand existing financial literacy programs and resources to target under-resourced areas.
- Raise awareness of existing training programs and resources available and disseminate this information to Indigenous communities and people.
- Specifically produce (and better distribute) financial literacy resources to help Indigenous people who do not speak English as a first language, have access to more resources and programs in Indigenous languages.
- Tailor existing programs to meet the specific needs and goals of the participants and/or community.

¹⁸ The Financial Literacy Foundation has compiled a list of financial literacy programs and resources for Indigenous Australians in the booklet *Understanding Money: Good practice in developing financial literacy initiatives with Indigenous Australians*. The booklet is available from the Foundation and in pdf format at <http://www.understandingmoney.gov.au/content/education/indigenous/>

¹⁹ A list of Indigenous-specific money management training programs and resources is available on the Australian Government's Financial Literacy Foundation website at www.understandingmoney.gov.au.

4.2.2 Increasing access to, and improving the delivery of, financial literacy programs

Most financial literacy programs and resources have been developed with a wide public audience in mind and dissemination is usually through channels that can reach as many people as possible, such as the internet.

NIMMA community consultation participants reported that their preferred method of engaging in money management training is face to face with people they know or people trusted by the community. Only a small number of participants have access to or used and trusted the internet.

Although a large number of providers promote online training resources for self service, only 14 per cent of Indigenous people have access to the internet.²⁰

A number of financial institutions, government agencies and community groups provide Indigenous people with face to face learning on basic money and financial management. About nine Indigenous-specific training programs deliver face to face money management training. Most Indigenous programs are run in remote locations. However, other financial literacy programs, which are not Indigenous-specific, are available to Indigenous people in urban locations.

The development and delivery of face to face training can be expensive, particularly for Indigenous people in remote locations. Working with employers and health organisations in these locations to deliver financial literacy training may provide a cost effective way of extending the reach of existing programs.

Financial literacy will be part of the core curriculum for the compulsory years of schooling, following the development in 2005 of the Ministerial Council on Employment, Education, Training and Youth Affairs commissioned National Consumer and Financial Literacy Framework. The Financial Literacy Foundation together with all school systems has developed a professional learning strategy for teachers of consumer and financial literacy which will be implemented in 2008. This strategy will implement the Framework and caters for the needs of teachers of Indigenous children. These initiatives provide an opportunity to reach Indigenous students, although consideration of their specific needs will be required. There is also a need to reach young Indigenous people who are not attending school.

Improving Indigenous-specific research on financial literacy, access to face to face training and understanding of technology could enable better targeting of financial literacy programs and resources to Indigenous people in all locations.

Options

Options that providers of financial literacy training and government could take up to help improve the access to and delivery of financial literacy programs to Indigenous people are:

- Enhance telecommunications (including broadband connectivity) to remote, rural and regional locations.
- Expand access to existing face to face financial literacy programs.
- Provide Indigenous communities and Indigenous representatives with information and guidance on how to use computers and the internet.
- Provide Indigenous communities and Indigenous representatives with information and guidance about available banking channels (branches, call centres, ATMs, EFTPOS, Bank@PostTM²¹ and internet banking).
- Enhance levels of education by engaging other partners, for example employers of Indigenous people, health organisations and schools, to provide existing literacy and numeracy education and financial literacy training programs to reach more Indigenous people.
- Develop a channel for financial literacy training to reach young Indigenous people who are not employed or attending school.
- Focus financial literacy responses at young people for long term outcomes.
- Commission further research into Indigenous-specific financial literacy needs, and levels of financial literacy competency for Indigenous Australians to identify those in need of training.

4.2.3. Educating about government payment debts and Centrepay

Government Payment Debts

Significant debts can be incurred through lack of understanding or limited disclosure about how to receive and manage government payments from Centrelink. Indigenous government payment recipients are 75 per cent more likely than non-Indigenous recipients to incur government payment debt.²²

Centrelink Indigenous Debt prevention strategy

Centrelink has committed to a national program to reduce the amount of Government payment debt incurred by Indigenous people and will report on the results of this program through their Reconciliation Action Plan (RAP).

²⁰ Australian Bureau of Statistics and Institute of Health and Welfare, 2005 'Computer and Internet use, 2002' (graph) **The Health and Welfare of Australia's Aboriginal and Torres Strait Islander Peoples 2002** ABS cat. No4704.0 ABS Canberra

²¹ Bank@Post, TM is a trade mark (registered or otherwise) of the Australian Postal Corporation.

²² Centrelink, *Centrelink Indigenous Debt Prevention Strategy presentation*, NIMMA IBRG Meeting, Melbourne, May 2007

Centrelink

Centrelink offers an administrative tool, 'Centrelink', which is a direct bill payment service offered to people who receive Centrelink payments. Centrelink enables recipients to manage their bills and regular expenses by allowing them to have a regular amount deducted from their government payment to pay bills before it is deposited to their savings account. Deductions can be made for housing, household goods and rental expenses, telecommunications and utility bills, education fees, medical and health costs, child care and home care services and several other common expenses.

While Centrelink is reportedly widely used, NIMMA community consultation participants indicated they do not understand how to manage their government payments so that they had funds available across the payment period.

Many participants are aware of Centrelink but do not know the range of payees for which Centrelink could be used. Further, many participants use direct debit facilities to make payments, but complained of incurring dishonour fees.

"Centrelink is great and has saved many people getting their phones, electricity and so on stopped. It helps people to manage their money but if they get direct debt from a bank then they have to manage it. There are problems with people getting overdrawn because of direct debts not happening when they expect it. People withdraw money thinking the direct debit has happened. Why do the banks allow people to overdraw and then hit them with a dishonour fee?"
NIMMA consultation participant

Some expenses incurred by Indigenous consumers when paying bills, such as late payment, account overdrawn or dishonour fees, could be eliminated or reduced by putting in place deductions from Centrelink or direct debits from their savings account to their regular expenses.

Centrelink is provided on a full cost recovery basis and a transaction fee is charged for each successful deduction and paid by the registered organisation. The standard fee is \$1.01 cent per transaction including Goods and Services Tax (GST). Registered organisations must not pass fees on to the customer. There are currently 10,000 – 12,000 organisations that participate in Centrelink. Transaction fees may be a concern for a small number of organisations wanting to use the Centrelink service. This fee is currently under review by Centrelink with a view to reduce the fee. A continuing review of the fee is intended in 2008.

Consumer advocates are concerned that Centrelink may enable payments to be made to unsuitable Centrelink providers. Consumer advocates have received complaints from Indigenous people about instances where payees have used Centrelink to obtain money from Indigenous consumers for inappropriately priced goods. Centrelink do work with ASIC and State Fair Trading Departments to investigate these issues. Centrelink is organised to receive and investigate complaints and urge clients and consumer advocates to contact them directly to report specific incidents.

Promoting greater awareness of Centrelink could help Indigenous consumers to pay bills for essential services in a timely manner, better manage their finances and reduce their levels of debt.

Options

Options for Centrelink to improve the understanding among Indigenous people of Government payments and services include:

- Report on the rate of government payment debt incurred.
- Report on the rate of government payment debt incurred by Indigenous people through Centrelink's RAP.
- Continue to review transaction costs associated with the administration of Centrelink, in order to support the further expansion of Centrelink.
- Centrelink Indigenous Service Officers to work with Indigenous clients to raise awareness of the Centrelink service by providing Indigenous communities and Indigenous representatives with training, information and guidance on how to set up and use Centrelink and equip Indigenous people with the knowledge and skills to reduce their debts to government and other creditors.
- Continue to Audit and assess Centrelink – registered organisations to ensure that customers are not being disadvantaged and Centrelink not being misused.

ASIC and AFCCRA will continue to work with Centrelink to establish mechanisms for financial counsellors and Indigenous consumer advocates to provide feedback to Centrelink on use of Centrelink facilities by Indigenous clients. These mechanisms may include a formal process to investigate issues and suspend unscrupulous Centrelink registered individuals and organisations as required.

4.2.4 Educating about rights and responsibilities

All customers that enter into a banking relationship with a financial institution have rights and responsibilities. However, many NIMMA community consultation participants demonstrate a low awareness and understanding of interest rates, loan terms and the actual cost of borrowing.

Generally, community consultation participants are not aware of their consumer rights and responsibilities in the banking and finance sector. Participants report being uncomfortable about asking financial institutions about problems, such as credit contract terms, credit cards and fees and charges.

"Banks don't have the patience to explain things. Also some banks assume that Indigenous people cannot know about some things, that we don't know what they are talking about".
NIMMA consultation participant

In addition, consumer advocates report that problems with credit cards, car lending and other financing issues arise mainly because Indigenous people do not understand terms and conditions, or because of practices of pushing products by third parties and unscrupulous traders.

Raising awareness and understanding of consumer rights and responsibilities would help Indigenous people to interact and negotiate with financial institutions with greater confidence.

Options

Options that financial service providers, consumer advocates and government could take up to help improve education about consumer rights and responsibilities for Indigenous people include:

- Provide Indigenous communities and Indigenous representatives with information and guidance about their consumer rights and responsibilities in simple and easy-to-understand resources.
- Further promote existing resources from ICAN, ASIC and State and Territory Consumer Affairs agencies.
- Establish sustainable funding for Indigenous consumer advocate organisations such as ICAN.

5 Improving Indigenous consumers' access to financial products and services

It is essential that Indigenous consumers have access to affordable financial products to help manage day-to-day needs and plan for the future. Products and services that Indigenous consumers need include:

- Transaction accounts to complete day-to-day transactions, such as receiving an income and paying bills,
- Access to deposit and withdraw cash, to save money or meet spending needs,
- Being able to borrow small amounts of money affordably to cope with short term financial pressures, such as repairing a car or paying for a funeral, and
- Being able to borrow money affordably for larger purchases, such as a car or a house or to support a small business.

Without access to suitable retail banking products or services, Indigenous consumers may be restricted from saving money or forced to hold on to cash, which could be easily lost or stolen. Indigenous consumers, who don't meet standard lending criteria, may be forced to access credit products through fringe providers who may charge unreasonable interest and fees, or alternatively be unable to buy a home or small business to invest in their financial future. Excluding Indigenous consumers from accessing affordable financial products and services can lead to financial stress.

Indigenous consumers experiencing financial problems can benefit from support and advice from consumer advocacy agencies and financial counsellors. Access to these support services is important to help people resolve their financial and consumer issues.

5.1 Challenges and issues

Some challenges and issues that contribute to Indigenous consumers' limited access to banking products and services include:

- *Remoteness of location* – Remote locations can limit Indigenous peoples' ability to open and operate accounts, transact or seek information or advice face to face. This can limit the choice of products and services available from financial institutions. Remoteness can limit access to cash, as ATMs in remote locations may have small cash supplies or be available only for limited hours. In addition, where the only access to cash is via a cash service operated by third party ATM provider, additional fees may be payable.
- *Language barriers* – Lack of information produced in Indigenous languages limits accessibility of banking products and services, particularly choice of products, services and providers. The diversity of Indigenous languages limits the ability of financial institutions to deliver financial literacy programs and resources to all Indigenous people in their first language.
- *Affordability of banking* – Disproportionately low incomes, high unemployment and high reliance on government payments, can restrict the ability of many Indigenous consumers to access some mainstream banking products and services.
- *Poor financial literacy* – Limits the ability to choose the most suitable products and can lead to credit difficulties. It can also further restrict access to borrowing through mainstream financial institutions.
- *Poor credit history* – Lack of knowledge of credit history and the impact of credit reporting, coupled with poor credit history, defaults or potential inaccuracy of credit reports, can limit access to borrowing. Low capacity for saving can make it hard for low income earners to access credit products from mainstream lenders.
- *Poor experiences with mainstream institutions* – Lack of cultural understanding, often influenced by poor media-driven perceptions of Indigenous people and racism, can lead to people avoiding mainstream financial institutions.
- *Cultural barriers* – Lack of culturally appropriate banking services, financial counselling, education and training and racism can contribute to Indigenous consumers lacking in confidence to participate in mainstream financial services.

- *Distribution restrictions* – Limited partnerships between government, business and community organisations restrict the ability to leverage distribution networks to increase accessibility to banking products and services.
- *Low technology availability and skills* – Limited access to technology infrastructure, including access to broadband connectivity for internet banking, in remote, rural and regional locations limits its use in these areas. In addition, little experience with technology and concerns about security, coupled with an often poor understanding of internet banking can constrain use. The cost of personal computers and telephones (including mobile telephones) can also be a barrier to accessing electronic banking channels.
- *Fees* – Lack of access to ATMs operated by the Indigenous consumers' own financial institution, poor financial literacy and customer banking behaviour can lead to unnecessary fees and charges. Interest rates, repayment schedules, fees and charges can make some products unaffordable for Indigenous people on low incomes.
- *Identification and verification* – Legal obligations imposed on banking service providers can impede access to opening bank accounts and operating other retail banking services. Lack of awareness can contribute to confusion about identification and verification requirements. In remote areas the time taken and cost of travelling to a financial institution to provide proof of identity documents can be a barrier to opening an account.
- *Regulatory restrictions* – Some regulations limit access to borrow from mainstream financial institutions, including accessing credit products or buying property on Indigenous owned land as no security can be taken by the lender over the land to secure the loan.
- *Low numbers of financial counsellors, social workers and consumer advocates* – Lack of co-ordinated and enduring funding for financial counsellors, social workers and consumer advocates for Indigenous people can contribute to comparatively low levels of understanding of financial management.
- *Costs and resources* – The delivery of full service, yet cost effective, face to face banking to remote areas is more difficult than other locations, due to cost of supply (e.g. cash and technology) and the limited viability of a small potential customer base.

- *Lack of demographic data* – Lack of information about Indigenous demographics, including population location and disbursement, limits the ability of financial institutions to target specific Indigenous needs.

These are not intended to cover all the challenges and issues relating to Indigenous peoples' access to banking products and services. Conditions vary for Indigenous people in remote and regional locations compared to those in urban locations. Some of these challenges and issues intersect with the challenges relating to financial literacy.

5.2 Priorities and actions

The following section identifies options for action that could be pursued by financial institutions, businesses, government agencies and community groups to address limited access to banking products and services by Indigenous consumers.

5.2.1 Improving access to banking products and services

Limited access to retail banking products and services, poor understanding of banking practices and the perceived complexity of banking documentation and forms cause problems for Indigenous people opening and operating accounts and transacting with financial institutions. In addition, limited access to ATMs operated by the Indigenous consumers' own financial institution and frequent ATM balance enquiries using third party ATMs may lead to Indigenous consumers incurring fees.

NIMMA community consultation participants believe banks and other financial institutions adopt strict procedures that disregard the banking needs and realities for Indigenous people.

Many participants reported that they feel financial institutions do not understand their needs for particular products, such as low fee accounts and small value loans.

*"They don't know our lives".
NIMMA consultation participant*

In addition, many participants typically demonstrated a limited awareness and understanding of the types of accounts offered by financial institutions and the different terms and conditions and fees of these accounts.

1 Face to face banking

People living in remote areas often have limited or no full service face to face access to retail banking services within a few hours of their communities. While this is not just limited to Indigenous people, NIMMA community consultation participants strongly indicated a desire to access banking products and services via branches or other face to face channels.

"We cannot do anything here. It is an 800 kilometre round trip to go to an appointment to enquire about a service. There is no one to talk to so you can work out what you need, what you should take, what you have to do. Nothing can get sorted out here".
NIMMA consultation participant

Significant financial investment from financial institutions, third party providers, telecommunication providers, cash supply services and the community would be required to support branches in remote locations. Financial institutions have been making efforts to increase and improve services to remote, regional locations. The APRA *ADI Points of Presence* 2006 report indicates that from 2005 to 2006 there was an increase in the number of face to face branch services available to people living in remote areas.²³

Some financial institutions reported the difficulties they face in meeting the needs of Indigenous communities in remote locations. For example, restocking ATMs is expensive due to the need to transport cash via aeroplane accompanied by appropriate security.

One model for delivery of banking services to remote locations is the Traditional Credit Union (TCU), which operates in 11 remote locations across the Northern Territory. This business model demonstrates that retail banking services can be provided in remote locations at a profit. TCU intends to increase its network of remote branches. The expansion of the TCU could be expedited by significant financial support from government and financial services industry partners and customers.

Another successful model is the Tangentyre Banking project which is supported by the Tangentyre Council and provides banking services with financial literacy support to Indigenous people in Alice Springs. This service could also be expanded with additional funding support.

There is an opportunity for financial institutions to work with the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands COAG trial site to provide access to account opening services and internet

banking to local Indigenous communities. Seven centres with offices, internet access and Indigenous staff (called PY Ku Centres) have been established in the APY Lands to provide a range of services to local Indigenous communities. In a recent survey by the Australian Government's Department of Human Services, Indigenous people in the APY Lands nominated the need to access banking services in their communities as one of their highest priorities.

Another model that financial institutions are adopting, particularly in response to the pullback of the rural transaction centres, is Australia Post Bank@Post™. A number of financial institutions are using this service to deliver banking services to remote and regional locations. There are 3,188 Bank@Post outlets across the country.²⁴ In 2004 the Coalition Government pledged \$9.7 million dollars over four years to provide another 266 post offices Australia wide that could provide banking services, which included the funding of equipment, maintenance and the "shortfall of costs incurred by small outlets. The banking services will be at no cost to LPOs" (Licensed Post Offices)²⁵

A major bank has also secured licensing and disclosure relief from the Australian Securities and Investments Commission (ASIC) for certain community representatives in remote communities in Queensland and the Northern Territory. This regulatory relief allows local councils or their delegates to provide financial advice about basic deposit products, which enables the bank to expand its banking products and services to remote and regional locations on a more cost effective basis.

2 Electronic banking - ATM, EFTPOS, phone and internet banking

ATMs and EFTPOS facilities offer convenient access to withdraw cash and make payments. As at June 2007 there were 25,681 ATMs and 597,063 EFTPOS terminals in Australia.²⁶

Most ATM transactions are customer withdrawals from their accounts using ATMs owned/operated by their financial institution. However, when customers use third party ATMs (or ATMs other than those provided by their financial institution) this requires cross-institution clearing and settling. A number of financial institutions have proprietary ATM networks but since 2001 Australia has had a fully connected ATM network. Linkages between the networks are based on bilateral arrangements between financial institutions and ATM deployers.

²³ Australian Prudential Regulation Authority, 2006, *ADI Points of Presence*, Sydney <http://www.apra.gov.au/Statistics/upload/2006-PoP-Released-9-November-2006-pdf.pdf>

²⁴ APRA, 2006, *ADI Points of Presence Report*.

²⁵ J. Anderson, Media Release, 2004, Deputy Prime Minister, Minister for Transport and Regional Services.

²⁶ Australian Payment Clearing Association, *Number of ATMs and EFTPOS terminals*, viewed June 2007, http://www.apca.com.au/Public/apca01_live.nsf/WebPageDisplay/Stats_Terminals

Currently, the processing of an ATM transaction can involve at least four parties:

- the customer (cardholder);
- the institution that issues the card to the cardholder (card issuer);
- the institution that acquires the ATM transaction (acquirer); and
- the owner/operator of the ATM (ATM deployer).

Universal access is a significant achievement of recent reforms of the payments system, offering consumers access to any ATM in Australia.

In recent years, the number of foreign ATM transactions has been on the rise. An ATM transaction that is conducted on an ATM that is not owned or operated by the cardholder's card issuer (for example a financial institution or company) is described as a 'foreign ATM transaction'.

This is particularly relevant in remote locations where an increasing number of ATMs are operated by third party ATM providers and where mainstream financial institutions often choose not to locate ATMs, due to among other considerations, the comparatively lower levels of use and therefore higher cost of servicing and maintaining ATMs.

Many Indigenous people consulted in the NIMMA community consultations reported that they can pay additional fees when making withdrawals or making numerous balance inquiries at ATMs.

*"Every month \$70 to \$80 goes (in fees)".
NIMMA community consultation participant*

The *Money Matters in the Bush* report highlighted that people living in remote areas were exposed to higher costs for using ATMs not owned by the customers' financial institution, as they had no immediate access to their own financial institution's ATM network.

While some financial institutions have reduced or removed certain fees, fees paid by customers can also be affected by consumers' banking behaviour, such as frequent ATM balance enquiries using third party ATMs. Fees paid by customers may also be affected by pending changes to the payments system, such as ATM direct charging.²⁷

Many financial institutions have responded to customer needs for access to low cost everyday banking products by introducing basic bank accounts. These typically have no or low fees for recipients of government payments and other eligible low income earners. Other transaction accounts enable customers to pay a low monthly fee to conduct unlimited transactions or to access a limited number of fee-free transactions.

However, NIMMA community consultation participants reported being unaware of these basic products or how to modify their banking behaviour to minimise fees and charges on their existing transaction accounts.

*"People don't understand about the rules and conditions. That they need to keep a minimum balance".
NIMMA consultation participant*

Internet and telephone banking services offer alternative ways to access information and transact with financial institutions. While Indigenous consumers in all locations report using phone banking, many express concern about the security of using internet banking services. In addition, many Indigenous consumers have limited access to personal computers and the internet.²⁸

Some financial institutions have responded to low use of internet banking by adopting an internet kiosk model in urban and some regional locations. This model is designed to provide customers with access to computers in public spaces such as community centres to conduct their banking and to communicate with their financial institution.

Relatively few NIMMA community consultation participants are aware of the basic bank accounts, low fee transaction accounts and micro-credit products offered by some financial institutions or how to modify their banking behaviour to minimise fees. For example, respondents demonstrated low awareness of:

- low fee products and services offered by financial institutions;
- the way fees are incurred and charged;
- banking behaviour that contributed to, and generated, substantial fees; and
- government services to facilitate direct debits to essential services.

²⁷ For information on ATM direct charging visit the Reserve Bank of Australia website - http://www.rba.gov.au/PaymentsSystem/Reforms/ATM/direct_charging_for_foreign_atm_transactions_in_australia.pdf

²⁸ According to ABS data Indigenous people were less likely to have used a computer (44 per cent to 68 per cent), or to have accessed the Internet (30 per cent to 58 per cent), than non-Indigenous people. Only 43 per cent of Indigenous people living in remote areas had access to a working telephone at home compared to 82 per cent of those in non-remote areas. Australian Bureau of Statistics and Institute of Health and Welfare, 2005 'Computer and Internet use, 2002' (graph) **The Health and Welfare of Australia's Aboriginal and Torres Strait Islander Peoples 2002** ABS cat. No4704.0 ABS Canberra;

“There was very limited awareness of the banks low fee account services and of the range of direct debits that can be organised through Centrepay. Several people who had low fee accounts appeared to be confused about how they had to use the account to ensure they met the requirements”.

NIMMA Community Consultation report

In addition, some participants who were aware financial institutions offered a basic bank account or a low fee transaction account have limited branch access thus rely on alternative access points, such as a third party ATM, limiting the benefit of these accounts.

Expanding banking services via branches and other face to face channels could lift the confidence and willingness of Indigenous people to participate in mainstream financial services. Increased access to banking services in remote and regional areas could facilitate opening accounts, replacing debit cards, obtaining cash and checking account balances.

Improved awareness about how to modify behaviour to minimise and avoid costs associated with the use of ATMs would reduce the incidence of unnecessary fees and charges.

Options

Options that financial services providers and government could take up to help improve access to financial services for Indigenous people include:

- Commission further research into Indigenous-specific banking needs.
- Establish best practice principles for access to mainstream banking products and services and service delivery standards to improve access to mainstream financial services for Indigenous consumers.
- Depending on privacy implications, financial institutions could consider reviewing their customer base to assess whether Indigenous consumers are using products that best suit their banking needs.
- Develop and implement a communication strategy to encourage use of existing banking products and services by Indigenous consumers, including information about the different types of products and services offered by mainstream financial institutions.

- Encourage financial institutions and third party ATM providers to introduce practices and policies that reduce and minimise ATM fees for Indigenous consumers in remote locations where there is limited access to face to face or alternative banking services.
- Encourage and fund the expansion of TCU branches in remote locations and trial remote account opening services via APY Lands COAG trial site in PY Ku network customer service centres.
- Encourage financial institutions, ATM providers and telecommunications providers to design innovative systems to enable Indigenous consumers to, among other things, check account balances and track recent transaction activity.
- Provide Indigenous consumers with information about how to reduce and minimise fees by modifying their banking behaviour, by improving their understanding of government payments, ATM functionality and operation, and how to access accounts and financial information in the most cost effective way.
- Provide Indigenous consumers with information about internet banking, including how to register, log-in, check account balances, make basic transactions (such as transfer funds) and set up direct debits, and provide access to internet banking via internet kiosks in branches or community centres.
- Develop best practice service delivery standards to improve access for Indigenous consumers.

3 Banking communications

By law, financial institutions must meet certain disclosure obligations and are required to communicate in ‘plain English’.

Most NIMMA community consultation participants, especially those in remote communities and those receiving government payments, reported that they have difficulty in understanding communications from financial institutions, including terms and conditions of loans and accounts, descriptions of products and services and account statements.

Participants also indicated that they do not attempt to read terms and conditions and product information, as they are put off by the length of documents and find the language difficult to understand. For example, it is a widely held belief among NIMMA community consultation participants that financial institutions use ‘bank language’ in spoken or written communications.

“There is a problem with the English of bank officials. Often it is not good and they certainly do not have Indigenous languages, nor do they have translators available which they do for most other non English speaking groups.”

NIMMA consultation participant

Improving Indigenous consumers’ understanding of their documents would increase Indigenous consumers’ participation in mainstream financial services and improve business-customer relationships.

Options

Options that financial service providers could take up to improve communication with Indigenous consumers include:

- Develop and implement a communication strategy to encourage use of existing banking products and services by Indigenous consumers.
- In collaboration with governments, establish Indigenous-specific support services, including translation services, to assist Indigenous consumers to receive and manage government payments.
- Improve Indigenous consumers’ understanding of banking documentation through collaboration between financial institutions, government and community organisations, for example, by simplifying product disclosure information without compromising legal obligations.
- Provide Indigenous consumers with information about making complaints and dispute resolution, including internal banking systems, external dispute resolution processes, such as the Banking and Financial Services Ombudsman, Centrelink, ASIC and other consumer protection agencies and other consumer advocacy agencies.

4 Best practice customer service

Financial institutions have strong commitments to delivering high standards and quality services to their customers, as evidenced by the customer service commitments made by ABA member banks in the Code of Banking Practice and by credit unions in the Credit Union Code of Practice, which is currently under review and will extend to cover mutual building societies. However, poor awareness of Indigenous culture can create adverse experiences for some Indigenous consumers, leading to the use of inappropriate products or non-engagement with financial institutions and/or government agencies.

NIMMA community consultation participants generally believed that service providers do not understand, or take an interest in, how Indigenous people live and consequently do not understand their consumer and banking needs. This belief was particularly strong in remote and regional communities. For example, some respondents indicate that neither government agencies nor financial institutions provide options for conducting business in a discrete manner and that staff do not have empathy with Indigenous consumers.

Participants indicate a preference for dealing with Indigenous staff, who would treat them with respect and understand their business needs and help with any problems they were having. At the same time, some financial institutions indicate that Indigenous staff are sometimes concerned about their face to face customer contact, given cultural sensitivities. Improved cross-cultural awareness and understanding by financial institutions and their customers could also help financial institutions to support Indigenous staff in customer facing roles.

Participants generally were uncomfortable with reporting problems to financial institutions. Consumer advocates also report that Indigenous consumers are not likely to make complaints. For example, respondents said that when transaction errors occurred, including fraudulent transactions, they did not feel confident to discuss their financial problems with staff or else did not think problems would be resolved.

Implementing best practice customer service standards across the financial services and government sectors for Indigenous consumers could increase engagement of Indigenous people with mainstream financial services, ensure use of more appropriate products and services and improve business-customer relationships.

Options

Options to support the implementation of best practice service standards for Indigenous consumers by financial service providers and government agencies include:

- Develop cultural awareness training for staff and set targets for staff completing training.
- Develop best practice service delivery standards for the financial services industry and monitor the provision of retail banking services against these standards criteria.
- Increase the employment of Indigenous people in financial institutions and government agencies, including through student programs, scholarships, traineeships, mentoring, the AES and the Department of Employment and Workplace Relations (DEWR) Indigenous employment initiatives.

5 Banking practices

Understanding identification (ID) requirements

Financial institutions are required to review and record identity information before they can do business with customers or potential customers. This means consumers must be identified before opening and operating an account.

While NIMMA community consultation participants in urban locations did not report problems with ID requirements, those from remote locations and to a lesser extent, regional locations, often find it difficult to understand the ID requirements and provide the requested information. For example, some Indigenous consumers do not have ID to adequately complete account opening procedures. Obtaining and traveling to a branch to present the necessary ID documents can be expensive and time consuming.

Furthermore, some Indigenous consumers are generally unaware of legal obligations imposed on financial institutions.

"It is impossible to apply for a replacement key card if they cannot read and write. There are no agencies to help them with this. A lot of them don't have Medicare cards, birth certificates, licenses or passports. Then they have to find two referees. It is just too hard."
NIMMA consultation participant.

Understanding credit history, files and assessment

Poor credit history and poor understanding of the recording of bad debts can affect a consumer's ability to borrow money from mainstream institutions and can lead to financial exclusion. Currently there is no comprehensive or 'positive' credit reporting in Australia.²⁹

While Veda Advantage has information about debt recovery services, paying debt and credit files on its website, many Indigenous consumers report they are unaware of their credit history or the credit assessment process; what information about their credit history may be reported and stored³⁰; and how these credit files can impact on their ability to access loans and the lending process for financial institutions.

The Australian Law Reform Commission (ALRC) as part of its review of the *Privacy Act 1988* is conducting research into comprehensive or 'positive' credit reporting in Australia. Positive credit reporting would expand the collection and dissemination of a wider spectrum of personal information, including information regarding the individual's current credit

commitments. This research should ensure more information about the pros and cons of positive credit reporting to inform public debate.

Raising awareness and providing information about ID requirements, credit reporting, credit files and credit assessment as well as streamlining identification processes could improve interactions with financial institutions, businesses and government agencies by Indigenous consumers.

Options

Options that financial service providers and government could take up to improve the management of identification requirements and understanding of credit files for Indigenous consumers include:

- Streamline identification processes, particularly for people living in remote areas with limited access to face to face banking.
- Ensure changes to legislation, regulation or rules take into account financial exclusion issues and do not impose additional restrictions on Indigenous consumers' access to mainstream banking and financial services.
- Increase Indigenous consumers' participation in financial literacy programs that provide information on banking practices (e.g. account opening and ID requirements), consumer rights and responsibilities, credit history, credit files and credit assessments as part of the lending process.
- Improve communication to Indigenous consumers about credit file reporting and accessing information about credit files.

6 Suitability of banking products and services

Transaction accounts

Financial institutions offer transaction accounts to enable consumers to conduct everyday retail banking.

Most consultation participants reported that they have a bank account to conduct everyday transactions but relatively few participants use accounts to build their savings. Additionally, there is a widespread perception among participants in most locations that financial institutions make mistakes with fees, resulting in people being charged more fees than they should.

²⁹ Positive credit reporting would allow consumer credit bureaux, such as Veda Advantage, to collect and record more data than is presently recorded in Australia. Positive credit reporting allows credit providers and other firms that provide services on credit to share information on individual consumer's credit files by subscribing and contributing this information to a central database.

³⁰ Stored information may include amounts borrowed, type of credit facility, credit provider, repayment history on all credit accounts and default information.

³¹ More information on the CHOICE campaign is available at their website <http://www.choice.com.au/viewArticle.aspx?id=104817&catId=100210&tid=100008&p=1&title=Beat+bank+penalties>

CHOICE is currently conducting a campaign to raise awareness of exception fees, including dishonour, late payment and overdrawn account fees.³¹ While some banks have reduced or removed exception fees for some or all customers, these fees charged by financial institutions may still have an impact on low income consumers, even if they are using low cost or basic banking products.

Responding to public debate about certain fees, the Australian Bankers' Association (ABA) published a fact sheet to help increase community understanding about ABA member banks' fees as well as assist consumers make informed decisions on bank account choices and manage their accounts more effectively.³²

Other financial institutions (including credit unions and mutual building societies) also provide information on how to minimise and avoid fees where they arise.

Savings accounts

In addition to transaction accounts, financial institutions have accounts that encourage saving. Savings accounts typically offer higher interest and some can be accessed online, reducing the costs of operating these accounts.

However, consultation participants reported little use for savings accounts, as their focus is more on managing day-to-day expenses.

*"Why bother when you're living hand to mouth".
NIMMA consultation participant*

Credit cards

Increased competition across the market has resulted in the emergence of many low interest credit card products, not just by mainstream financial institutions, but also other financial institutions and credit providers.

However, despite legal obligations requiring providers to disclose information about credit card terms and conditions some consultation participants indicated they have little understanding of repayments, interest rates and fees and charges.

In addition, consumer advocates report Indigenous consumers having problems managing credit card debt and understanding credit card terms as well as credit being provided to Indigenous people who cannot afford repayments.

*"Don't target people who obviously cannot pay especially those straight out of school".
NIMMA consultation participant*

Personal loans

Many financial institutions have minimum personal loan amounts, limiting access to small loans by Indigenous consumers on low incomes. In addition, some Indigenous consumers do not meet standard lending criteria. This lack of access to loans has resulted in some Indigenous consumers relying on family members to access credit, or obtaining credit cards or short-term loans from lenders not regulated as authorised deposit-taking institutions, such as payday and fringe lenders. Such loans often incur large fees, resulting in large debts and unaffordable repayments.

Most consultation participants indicated they want access to small loans for essential household items, such as cars or whitegoods.

*"Especially at Christmas, birthdays and school holidays you need a quick fix. If you could borrow \$500 the same day and then pay it back the same as you do with the social. They could automatically deduct it at \$20 or \$30 a fortnight. Once or twice a year for things like school excursions."
NIMMA consultation participant.*

A number of financial institutions have implemented low cost lending options for people on low incomes. In collaboration with community organisations, a number of financial institutions make available No Interest Loan Scheme (NILS)³³ loans and low interest loans. Currently there are two major banks that offer micro-credit products.³⁴ Another example is the Fitzroy-Carlton Community Credit Co-Operative, which provides NILS^R and services targeting low income members and recipients of government payments, many of whom are Indigenous. However, the number of Indigenous people applying for these loans and aware of these services has not been recorded due to privacy restrictions, inhibiting banks from recording customer ethnicity.

³² The fact sheet contains: An explanation of dishonour, late payment and overdrawn account fees; tips for managing your account to avoid these fees; and a list of bank accounts which either do not charge or reduce these fees. <http://www.bankers.asn.au/default.aspx?ArticleID=1102>

³³ NILS is a registered trademark of Good Shepherd Youth and Family Services

³⁴ The key features of micro finance are as follows: provision of financial services to people who are economically poor; using means which are as just, fair and sustainable as possible; has a community and/or social agenda inherent in its purpose, mission and/or goals; the size of the transactions are relatively small; includes a full range of financial services to which poor people need access - it is not limited to the provision of credit.' I. Burkett, 2003, *Current Realities and Future Possibilities*. University of Queensland Brisbane, Australia, pg 7 <http://www.microfinancegateway.com/redirect.php?mode=link&id=3799>

Options

Options that financial service providers could take up to improve access to suitable banking products for Indigenous consumers include:

- For those financial institutions that have not already done so, review policies on exception fees and information available on fees and charges with a view to making low cost banking products more accessible and affordable for low income consumers.
- Develop and implement a communication strategy to encourage use of existing banking products and services by Indigenous consumers. Information will assist in ensuring Indigenous consumers can make informed decisions about what products and services best suit their banking needs.
- Encourage financial institutions, government agencies and community groups to expand existing NILS® programs and other micro-credit products to increase participation by Indigenous consumers and improve their access to affordable lending products.
- Publish further information about customer service commitments and responsible lending practices to Indigenous consumers, including credit contract terms, repayments and affordability, managing debt, and fees and charges. Information would help correct perceptions about the cost of banking products and services.
- Review credit assessment procedures, assess standard lending criteria and develop processes to assist Indigenous consumers manage obligations when their financial circumstances change. For example, with the agreement of the Indigenous consumer, financial institutions could help them overcome financial difficulties with their credit product and develop a repayment plan or refinancing options.
- Co-ordinate formal and timely responses to systemic incidents of non-compliance with lending policies, including collaboration between financial institutions, consumer advocates and regulatory agencies, as required.

5.2.2 Lifting savings and encouraging savings behaviour

Most Indigenous consumers on low incomes focus on meeting day-to-day expenses rather than saving. Therefore they often have minimal savings for other purchases and are

unprepared for emergencies. In addition, family obligations to share resources can impact on individuals' savings.³⁵

RMIT research conducted in 2006 confirms that matched savings programs are successful in encouraging saving behaviour. These programs involve the consumer being encouraged to save money with each deposit made to a bank account being matched or equalled by the government or a financial institution. They are a successful way of lifting personal savings and helping low income families to achieve goals and they can result in long term saving behaviour.³⁶

Currently, a major bank, in conjunction with a State and Territory Government and various community organisations, is funding a matched savings program for low income earners. This program is being extended in a trial in partnership with the Australian Government to target Indigenous consumers.

The Australian Government also maintains the superannuation co-contribution scheme which is a matched savings program for superannuation contributions for low income earners. However, these programs are only available to wage earners, and not people who are solely dependent on government payments for their income.

Building on existing matched savings programs and improving knowledge and skills about money management could increase Indigenous consumers' capacity to save for the short and long term.

Options

Options that government and financial service providers could take up to support savings behaviour by Indigenous consumers include:

- Encourage financial institutions and government agencies to build on existing matched savings programs and expand access to Indigenous consumers.

5.2.3 Making housing more affordable by improving access to home lending

Home ownership is comparatively low among Indigenous people, especially those living in remote locations. Most housing for Indigenous people in remote areas has traditionally been provided through public housing programs. In addition, there are a number of government programs providing home ownership assistance. However, demand for quality public and community housing and home ownership assistance outstrips available funding. Borrowing on

³⁵ C Demosthenous, B Robertson, A Cabraal & S Singh, 2006

³⁶ R Russell, S Mihajilo, A Nair & R Brooks, 2006, *Saver Plus – Encouraging Savings and Increasing Financial Capabilities among Low-income Families, Evaluation of the saver plus pilot phase 2*. RMIT University, Melbourne, VIC.

community-owned land raises land tenure issues and cause problems obtaining mainstream finance.

The IBA Homes Program is designed to increase home ownership participation rates by providing affordable home loans to eligible Aboriginal and Torres Strait Islander people on freehold land. This program is targeted to Indigenous people who have the capacity to repay a long term loan, but who would generally have difficulty in obtaining mainstream finance. These loans offer low interest rates to Indigenous people who are buying a home or land, building a new home, carrying out home improvements or home maintenance repairs. These loans also adopt non-standard lending criteria. While the loans have a higher risk profile, due to ongoing support during the loan arrears closely resemble mainstream loans. Approximately 80 per cent of the loans are to first home buyers, compared to less than 18 per cent of new loans made to first home buyers by the banking and finance sector.

In addition to IBA Homes, the Home Ownership on Indigenous Land (HOIL) program may provide an opportunity for some Indigenous people living on community owned land to increase their financial independence by buying their own home. Legislative issues need to be addressed in some jurisdictions. Options should include innovative home building initiatives that suit Indigenous home ownership needs.

The value and performance of the property market in remote and regional locations may mean it is often not viable for Indigenous people to buy and maintain a home in these areas. Consumer advocates have raised concerns regarding the affordability of mortgage repayments (often due to the high costs of housing) in remote locations where employment opportunities are limited and the Australian Government is phasing out CDEP. Consumer advocates also caution lenders to carefully consider the capacity of borrowers to meet the costs associated with home ownership over the long term.

Some financial institutions are considering factors that may restrict expanding home ownership for Indigenous people in remote, rural and regional locations in Australia; the lessons that can be learned from overseas experiences; and how they may be translated to an Australian context. These financial institutions are also considering developing an Indigenous-specific home lending program or working with IBA to transfer previously subsidised loan customers to mainstream lending products.

The challenges of home ownership for Indigenous consumers in urban locations are often similar to other low income earners. However, Indigenous consumers in urban locations still face broader challenges not faced by non-Indigenous consumers.

Increasing awareness of, and funding for, home ownership assistance programs could assist Indigenous consumers' realise their aspirations for housing security and home ownership.

Options

Options that financial service providers and government could take up to support Indigenous home ownership include:

- Encourage additional capital for IBA programs from Government, to lift home ownership rates by Indigenous consumers.
- Encourage financial institutions, in partnership with Government agencies and/or community leaders, to develop and implement innovative lending to expand home ownership options for Indigenous consumers.
- Provide Indigenous consumers with information and guidance on housing, home ownership and lending, including assisting them to make informed investment decisions to suit their individual and family circumstances and commitments.

5.2.4 Building capacity for small business enterprise

Indigenous individuals and communities have limited access to business finance and business related mentoring. Many Indigenous people have expressed interest in better understanding how to build business capacity within their communities, especially in remote locations.

The Australian Government's New Enterprise Incentive Scheme (NEIS) helps eligible unemployed people to start and run a small business. NEIS commenced in 1985 and more than 100,000 people have participated in the program to date. Over 80 per cent of NEIS participants indicate that they are either still operating a business, employed and/or in some form of education or training 15 months after starting their NEIS business.

As part of NEIS, DEWR provides training in small business management and business skills, and business plan development. At the end of three months training, the business plan is assessed and approved before the business can start with NEIS assistance, including allowances and rental assistance. NEIS does not provide start-up funds, loans or grants.

IBA Enterprises provides business loans and business support to assist eligible Indigenous people to establish, acquire and grow small businesses. IBA Enterprises does not compete with private sector financiers. Rather, it is a gap provider, providing access to business finance for Indigenous clients who are unable to access private sector finance. The business support program provides funding for such services as business-related training, business planning and marketing advice and business mentoring. The combination of business support and business lending is a powerful one, as it helps Indigenous people acquire business skills and guidance through the critical early phase of business development and so improves the likelihood of success. Business support is available to eligible Indigenous people and communities, whether or not they intend to seek IBA loan funding.

The Indigenous Capital Assistance Scheme (ICAS) run by one major bank and the Australia Government increases employment opportunities for Indigenous Australians by giving Indigenous businesses access to commercial finance, and culturally appropriate professional and mentoring support services. The scheme began in 2004 with 22 ICAS offices managing the program in all capital cities and regional areas throughout Australia. Loans ranging from \$50,000 to \$500,000 are available over three years together with business advisory and mentoring support services. Since the program began, about \$2.5 million has been loaned to 13 Indigenous businesses in industries such as tourism, transport, agriculture, construction, retail, trade and accommodation.

A number of financial institutions also provide financial support, training and mentoring and business loans to Indigenous businesses to encourage enterprise, development and expansion.

Having better access to business mentoring, affordable business accounting and affordable business lending could improve Indigenous individuals and businesses income earning capacity as well as the economic viability of their communities.

Options

Options that financial service providers and government could take up to further support Indigenous small business enterprise include:

- Commission further research into Indigenous-specific business enterprise needs to identify how programs and resources can be tailored for Indigenous communities, particularly in remote areas.

- Encourage financial institutions, government agencies and community groups to expand existing business enterprise programs and pilot schemes to increase participation by Indigenous people and to improve their access to micro-enterprise programs and affordable business lending products.
- Provide Indigenous people with information, guidance and advice about existing business enterprise programs and schemes, including accessing assistance, training and mentoring, developing business plans, implementing business investing strategies and building business and economic capacity to best suit their needs.

5.2.5 Improving access to technology

Most Indigenous consumers have limited access to personal computers and limited experience in using computers and the internet. In addition, some communities in remote and regional locations have restricted telecommunications access and support, particularly broadband connectivity.

Many NIMMA community consultation participants indicated that they know internet banking is available for them to use to access their accounts, conduct transactions, check account balances, etc. However, most respondents showed little knowledge about how to use it. Additionally, those that know how to use internet banking often use other banking channels due to security concerns.

There is also widespread lack of confidence and mistrust of internet banking, including concerns that financial institutions might take their money or that the Government might not transfer their payments. To address concerns, the Local Government Association of the Northern Territory (LGANT) has developed an internet banking training video for Indigenous people.

The Department of Communications, Information Technology and the Arts (DCITA) has provided \$90 million to the 'Backing Indigenous Ability' initiative (as part of the 'Connect Australia' package) to address access to the internet for Indigenous people in remote, rural and regional locations.

DCITA has invited Indigenous communities to apply for one or more of the program elements, including:

- *Internet access* – computer packages and financial assistance for associated costs of publicly accessible internet facilities. This will provide greater opportunities for people to use email and other internet services, giving improved access to the internet for education, business and social purposes;

- *Videoconferencing* – facilities to improve distance access to services such as health, justice or education; and
- *Training and skills development* – practical training, such as using computers, email, internet and developing websites.

Broader awareness and understanding of technology and improved access to technology could assist Indigenous consumers gain greater confidence in conducting their own banking and taking control of their own finances. Additionally, banking costs could be reduced by modifying Indigenous consumers' banking behaviour and making greater use of internet banking.

Options

Options that financial service providers, telecommunications providers, other service providers and government could take up to support access to technology for Indigenous people include:

- Provide information and guidance on the internet, including the use of computers and internet banking to lift internet banking participation rates by Indigenous people, especially in remote locations.
- Encourage telecommunication providers, businesses, government agencies and community groups in partnership to expand Indigenous peoples' access to computers and the internet.
- Improve Indigenous people's awareness of existing training for phone and internet banking and extending access to training via relevant financial service providers' staff.

5.2.6 Managing unscrupulous practices

Social, financial and economic disadvantage can be compounded by unscrupulous practices by individuals and organisations seeking to take advantage of Indigenous consumers.

'Book up'

'Book up' is a term often used to describe a practice where a consumer, usually Indigenous, provides their debit card and/or PIN to a merchant in exchange for goods, services and short-term credit. When managed well 'book up' can offer valuable and needed services to remote Indigenous communities, as a credit facility at a local store may be the

only access to credit or cash for some distance. However, the practice can also expose Indigenous people to unscrupulous practices by dishonest and fraudulent individuals and organisations.

Community consultation participants related incidents where traders tried to take advantage of Indigenous consumers by overcharging for goods and services and imposing unreasonably high fees and charges for access to short-term finance.

*"We used to have 'book up' but stopped because they said we had booked up too much but they did not have dates or signatures".
NIMMA consultation participant*

Problems with 'book up' include lack of transparency about prices of goods and services; lack of accountability for transactions and other withdrawals; inaccurate or deficient records; high administration fees; the inability of Indigenous consumers to exercise choice; the inability of Indigenous consumers to gain knowledge and skills in money management; and lack of protections from fraud or theft.

The financial services industry together with government and regulatory and consumer agencies have implemented initiatives that limit the possibility of Indigenous consumers being exploited through lending practices, such as 'book up'. For example:

- Northern Territory Government is proposing changes to the law to impose restrictions on behaviours of merchants;
- ASIC, ABA and Western Australia's Department of Consumer and Employment Protection have produced a guide and booklet designed to help Indigenous people and merchants deal with 'book up';
- Financial institutions have changed their merchant agreements to restrict the retention of Indigenous consumers' PIN by merchants; and
- Outback Stores has a 'no book-up policy', looking instead to working with others to introduce mechanisms, such as debit cards to avoid the need for short term credit that has given rise to 'book up' practices.

Options

Options that government, financial service providers and consumer advocates could take up to help improve the management of 'book up' practices include:

- Regulate predatory lending and unscrupulous practices targeting Indigenous consumers.
- Encourage financial institutions, government agencies and community representatives to implement policies and procedures that reduce, minimise and eliminate poor 'book up' practices.
- Provide Indigenous people and store owners with information about how they can use 'book up' without exposing themselves to associated unscrupulous practices.

Payday and fringe lending

'Payday lending' is a term used to describe the practice of taking a short-term loan, usually offered by an unregulated individual or organisation. Usually people seek payday loans because they are unable to access credit products from mainstream lenders due to poor credit history or they have had a negative experience in attempting to access credit from mainstream financial institutions.

Payday lenders and fringe providers can impose significant upfront fees, excessively high interest rates (sometimes up to 1000 per cent), and uncompromising repayment terms and collection practices. Payday lending is designed to keep borrowers in debt, not to provide one-off assistance during a time of financial need.

Although only a few participants in the NIMMA community consultations report using payday lenders to access short-term credit, a significant need for access to affordable short term credit was identified.

"Been paying off \$1000 from [the finance company] for six years. I reckon it will take another seven to nine years. I did not know this at the time I took the money. The bank would have knocked me back. I was not working. You have to have dollars in the bank for them to look at you".
NIMMA consultation participant.

Tightening the law, providing financial literacy education and access to affordable products would mean Indigenous consumers have better options to meet their needs for short term credit and better protection from unscrupulous traders, merchants and fringe lenders.

Options

Options that government, financial service providers and consumer advocates could take up to help manage the impact and management of pay day lending practices include:

- Implement changes to credit regulation to take account of non-conforming and unregulated lenders and harmonise protection for consumers.
- Increase access to consumer protection information so consumers are aware of their rights and how they can make complaints.
- Increase access to mainstream small loan products so consumers do not have to rely on payday and fringe lenders to access credit products.

5.2.7 Improving consumer support services

Governments and community groups provide consumer support services to people in financial difficulty or to resolve consumer issues. Many Indigenous consumers have limited access to consumer protection authorities, consumer advocacy agencies and financial counsellors, as the demand for these services, including financial counselling, social welfare, crisis management and consumer advocacy, outstrips available funding.

Few participants in the NIMMA community consultations indicate that they have used the services of consumer protection authorities, consumer advocacy agencies, social workers or financial counsellors.

The Australian Government and other organisations have provided limited funding for financial counselling and consumer support services. Currently, there are four Indigenous financial counsellors in Australia, with additional non-Indigenous financial counsellors offering support services to Indigenous consumers. In addition to providing financial counselling they often provide broader support to Indigenous consumers, including crisis management and welfare assistance.

Consumer protection authorities in some States and Territories have Indigenous-specific initiatives to assist Indigenous consumers, including:

- ASIC has investigation officers in three States to manage complaints specifically from Indigenous consumers.
- The NSW Office of Fair Trading has an Indigenous consumer department and a network of approximately 12 field officers stationed across New South Wales.
- There is Indigenous consumer support information on State/Territory Consumer Affairs Department's, ASIC's and the Indigenous Consumer Assistance Network's (ICAN) websites covering topics such as:
 - o mentoring support for running a small business;
 - o buying cars;
 - o mobile phone contracts;
 - o dealing with 'book up';
 - o making complaints; and
 - o tax information.

ASIC and ICAN also provide support to Indigenous consumers through their websites, financial literacy training and staff that visit Indigenous communities.

In addition, financial institutions' financial literacy programs and resources often cover topics about broader consumer decisions, not just financial decisions.

Improving access to consumer support services and providing information about consumer rights, responsibilities and protections to Indigenous people would help in protecting Indigenous consumers from financial exploitation and assist Indigenous consumers work towards greater financial independence.

Options

Options that government, financial service providers and consumer advocates could take up to help improve the availability of consumer support services for Indigenous consumers include:

- Develop and implement a strategy to fund financial counselling for Indigenous consumers through the Australian Financial Counsellors and Credit Reform Association (AFCCRA).

- Encourage the Australian and State/Territory Governments to work with financial counselling representatives to expand support services for Indigenous consumers through co-ordinated, long term funding and support and reduce waiting lists for financial counselling and consumer support services.
- Establish an Indigenous financial counselling support network.
- Commission further research into Indigenous-specific consumer support service needs to ensure the delivery of services to Indigenous consumers through an appropriate business model.
- Develop and implement a funding strategy for consumer advocates (such as ICAN) to support accessibility of consumer advocacy and consumer support services for Indigenous consumers.
- Encourage increased government funding for consumer protection authorities for investigations and enforcement activities against unscrupulous individuals and organisations.
- Investigate opportunities to increase the number of Indigenous financial counsellors.

6 NIMMA – The way forward

The NIMMA project brought together representatives of government, business and community organisations to share information, build relationships, and set priority areas for action and opportunities to work collaboratively.

The FaCSIA funding of the NIMMA project ends in June 2007. However, the IBRG has indicated an ongoing willingness to continue a dialogue on financial literacy and banking issues for Indigenous consumers.

6.1 Continuing efforts

Expert network

The IBRG membership has established a network of experts in the area of Indigenous financial literacy and retail banking and will continue to work together to address the issues identified through the NIMMA project. The network will be called the Indigenous Financial Services Network (IFSN) and will continue to focus on financial literacy and financial services issues for Indigenous consumers, including a further exploration of superannuation, insurance, financial advice, taxation and governance of community organisations and the financial impacts of the NT emergency response for Indigenous people. The network will be funded by the FaCSIA and financial institutions.

The NIMMA project has benefited from the guidance of Indigenous community leaders and consultations with Indigenous people about their experiences and needs regarding financial literacy, access to banking products and services and consumer support services. To ensure Indigenous communities continue to be involved in developing and implementing strategies to improve their financial independence an Indigenous Advisory Committee will be established. The committee will be a permanent resource for Indigenous people to raise issues and contribute feedback to the IFSN.

Reconciliation Action Plans

The ambition of RA is to close the unacceptable 17-year gap in life expectancy between Indigenous and non-Indigenous children. Reconciliation Action Plans (RAP) provide the framework and the tools for organisations across Australia to join forces and become part of closing the gap. The goal of a RAP is to turn good intentions into measurable actions that

support Indigenous people achieve equality in all aspects of life – a goal which benefits all Australians.

The Prime Minister and the President of the Business Council of Australia (BCA) have written to BCA member companies asking them to commit to completing RAPs. The Prime Minister also asked all Australian Government departments to complete RAPs and most have done so.

IBRG members have indicated their willingness to develop an Indigenous Statement of Commitment or to complete a RAP. RA supports such commitments, particularly RAPs, which identify specific and measurable targets to improve levels of financial literacy and access to banking products and services for Indigenous consumers.

Centrelink has completed a RAP, which includes specific actions to reduce government payment debt incurred by Indigenous people. Treasury have made commitments through their RAP concerning improving financial literacy of Indigenous people.

IBA's RAP focuses on activities to increase the number of Indigenous people successfully engaged in financial and commercial activities through its programs and its partnerships with Indigenous Australians and the private and public sectors. As part of IBA's commitment to reconciliation IBA will report against a number of measures including engaging with the financial services sector in an integrated way.

Two major banks have completed a RAP with commitments to improve the numbers of Indigenous people employed in the organisation, to improve the cultural awareness of the organisation and to extend their financial literacy training programs to more Indigenous people.

AFCCRA has also completed a RAP including support for the training of Indigenous financial counsellors and sharing information about financial issues for Indigenous consumers.

The ABA has completed an Indigenous Statement of Commitment, which includes commitments to work with Indigenous Australians to assist develop money management knowledge and skills, build capacity to deliver banking products and services to Indigenous customers, advocate availability of financial literacy programs and resources and accessibility of banking products and services with Indigenous people and communities.

Other IBRG members have committed to completing an Indigenous Statement of Commitment or RAP in the near future.

A list of organisations that have completed RAPs or a Statement of Commitment can be found on the RA website – www.reconciliation.org.au

Website

RA will host a NIMMA website which will contain background information on the project including key statistics on Indigenous economic participation. The website will also contain links to previous research that has informed the project, include other project documents, information on existing Indigenous-specific financial literacy programs and government and financial services products targeted at, or suitable for, Indigenous consumers.

Short term actions

The NIMMA short term action tables indicate commitments made by IBRG members and others involved in providing financial literacy training and access to financial services and consumer support services. The activities indicate responsible organisations and targets to be achieved within the next year.

Long term options

The NIMMA long term option tables identify a range of long term options to address the more complex needs of Indigenous people in the areas of financial literacy and access to banking products and services. Proposed options, desired outcomes and responsible organisations have also been identified.

6.2 Monitoring and measuring performance

The following measures are suggestions to effectively track the progress of actions to improve financial literacy and access to banking products and services for Indigenous consumers.

These are included in the NIMMA long term option tables and will require further investigation by providers of financial literacy training, financial institutions, businesses, governments and consumer support agencies. The suggestions cover development of best practice principles to monitor service delivery in the banking and finance sector, data collection to inform and measure progress and surveys to further explore the needs and satisfaction levels among Indigenous consumers.

Surveys of Indigenous people

Options include:

- A national ongoing survey of Indigenous peoples' customer satisfaction with financial services providers.
- A national ongoing survey of Indigenous peoples' financial literacy levels.

Where possible, these surveys should be combined with existing surveys of Indigenous people.

Best practice principles

- *Best practice service delivery and products* – A framework could be developed to provide guidance to financial service providers in delivering best practice banking services and product features for Indigenous people. It would also indicate to Indigenous people where they will receive good service and suitable products.
- *Best practice financial literacy* - Best practice principles for training material content and delivery could be used in the development of new programs and in the evaluation of financial literacy training programs and resources.

Data collection

The following data would help track the progress in improving financial independence of Indigenous people through better financial literacy and access to banking products and services.

- Completion and participation rates of Indigenous people undertaking financial literacy training.
- Use of consumer advocacy services by Indigenous people relating to financial issues (including waiting list numbers).
- Indigenous participation rates in supported programs, such as home lending on Indigenous land, matched savings and micro-credit (privacy implications need to be considered).
- Take-up of products or services by Indigenous people.
- Credit default rate data from Veda Advantage for areas with a high Indigenous population. The limitations of postcode-based data and information on the distribution of the Indigenous population need to be considered.
- Employment levels of Indigenous people in financial services and consumer support services.

There are a range of issues that would need to be further explored in collecting such data for example privacy issues, identification of Indigenous people and availability of data.

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Appendix A – IBRG Members

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Gary Clements, Standing Committee of Officials of Consumer Affairs
David Cousins, Victorian Department of Consumer Affairs
Lawrie Mortimer, Telstra Country Wide
Terry Stephens, Australia Post

Appendix B - Glossary

ABA	Australian Bankers' Association
Abacus	Australian industry body for Australian credit unions and mutual building societies
AES	Aboriginal Employment Strategy
AFCORA	Australian Financial Counsellors and Credit Reform Association
AIATSIS	Australian Institute of Aboriginal and Torres Strait Islander Studies
ALRC	Australian Law Reform Commission
APRA	Australian Prudential Regulation Authority
APY	Anangu Pitjantjatjara Yankunytjatjara is a large area in the remote north-west of South Australia
ASIC	Australian Securities and Investments Commission
Bank@Post™	an agency banking service offered at over 3100 on-line Australia Post outlets. It allows you to use your credit or debit cards at the post office to undertake a variety of financial transactions with participating banks and other financial institutions
BCA	Business Council of Australia
'Book up'	a term often used to describe a practice where a consumer, usually Indigenous, provides their debit card and/or PIN to a merchant in exchange for goods, services and short-term credit
CAEPR	Centre for Aboriginal Economic Policy Research
CBA	Commonwealth Bank of Australia
CDEP	Community Development Employment Projects
CentrePay	direct credit service that debits funds from Government payments to pay approved billers, offered by Centrelink
CHOICE	An Australian not-for-profit organisation which researches products and services and campaigns on behalf of consumers.
COAG	Council of Australian Governments
Community Consultations	Consultations conducted in 2006 with approximately 150 Indigenous people into banking and financial literacy issues by Urbis Keys Young (research agency). The NIMMA Community Consultations report can be accessed via the website www.reconciliation.org.au
CUFA	Credit Union Foundation Australia
DCITA	Department of Communications, Information Technology and the Arts
DEST	Department of Education, Science and Training
DEWR	Department of Employment and Workplace Relations
DoTARS	Department of Transport and Regional Services
FaCSIA	Department of Families and Community Services and Indigenous Affairs
FIM	Family Income Management

Financial Literacy	The process by which financial consumers or investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial wellbeing". ³⁷
FLF	Financial Literacy Foundation
HOIL	Home Ownership on Indigenous Land program. Managed by Indigenous Business Australia working closely with FaCSIA. "Supported home loans will be offered under the programme to eligible individuals and families wishing to buy houses built on Indigenous. The introduction of the HOIL program is dependant on the legislative framework for land tenure in each State and Territory"
IBA	Indigenous Business Australia
IBRG	Network of government and financial services experts that advised the NIMMA project by providing input and advice to Reconciliation Australia and FaCSIA on options to improve the level of financial literacy and accessibility to retail banking products and services among Indigenous consumers
ICAN	Indigenous Consumer Assistance Network
ID	identification
IFSN	Indigenous Financial Services Network
JIM	Junior Income Management financial literacy program targeting teenagers, developed by FIM – in partnership with Westpac, FaCSIA and Cape York Partnerships. More information on FIM is available at Cape York Partnerships website http://www.capeyorkpartnerships.com/FIM/index.htm
LGANT	Local Government Association of the Northern Territory
MCEETYA	Ministerial Council on Education, Employment, Training and Youth Affairs
NAB	National Australia Bank
NEIS	New Enterprise Incentive Scheme
NILS^R	No Interest Loan Scheme
NIMMA	National Indigenous Money Management Agenda
OECD	Organisation for Economic Co-operation and Development
OFP	Opening Financial Pathways program also called My Moola - Indigenous financial literacy and personal development program developed in partnership by First Nations Foundation and ANZ. More information available at http://www.ashe.com.au/default.asp?ID=73
RA	Reconciliation Australia
Saver Plus	Financial literacy and matched savings program developed in partnership by ANZ and the Brotherhood of St Lawrence. More information available at http://www.anz.com/aus/aboutanz/Community/Programs/Saver.asp
SCOCA	Standing Committee of Officials of Consumer Affairs
TCU	Traditional Credit Union



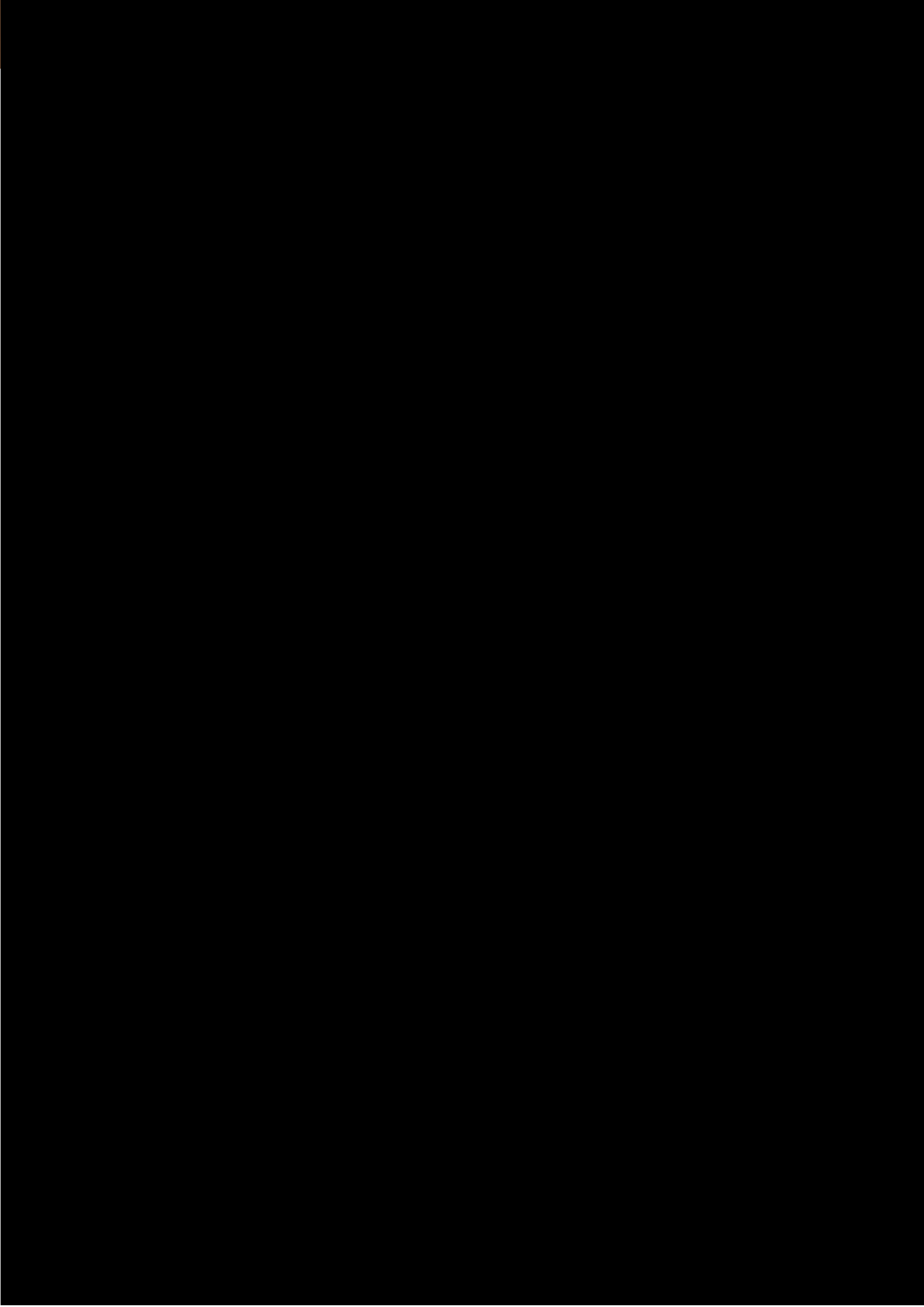
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