

# Tackling financial exclusion through an integrated approach in Australia: a case study of pro bono support

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## *Introduction*

Around the world, financial exclusion is placing people and families at risk of financial hardship and costing economies. To combat financial exclusion, the Australian government has partnered with Good Shepherd Microfinance, the Centre for Social Impact, and Ernst and Young to develop and implement Australia's first Financial Inclusion Action Plan (FIAP). To date, 33 organisations, including Ashurst as the first law firm to sign up, have committed to tackling financial exclusion together through efforts such as creating more accessible products and services, improving capability-building, delivering pro bono legal services and enhancing economic participation and resources.

## *Financial exclusion and why it matters*

Contemporary literature defines financial exclusion as a lack of access to appropriate and affordable financial products and services.<sup>[1]</sup> While older definitions focused on a lack of access itself,<sup>[2]</sup> financial exclusion has come to be understood as a global issue for many parts of society which lack meaningful access to mainstream financial products and services. The goal of financial inclusion, then, is to enable individuals and businesses to obtain useful and affordable financial products and services that meet their needs, including transactions, payments, savings, credit and insurance, and that are delivered responsibly and sustainably.<sup>[3]</sup>

States are increasingly recognising the importance of financial inclusion for reducing social inequality and creating sustainable, competitive economies. At the humanitarian level, financial inclusion is vital for minimising the risk of financial hardship on people and families, which can cause adverse social, economic and health outcomes. For many, financial support is essential for meeting basic needs, including food, shelter and medicine, and as such has even led some to identify financial inclusion as a right of its own.<sup>[4]</sup> However, financial inclusion is also important for alleviating significant costs in the public and private sectors. For example, financial exclusion in Australia is estimated to cost \$583m in government funds and \$2.9bn in gross domestic product a year.<sup>[5]</sup> In the private sector, absenteeism and underperformance by employees facing financial hardship is also reported to cost Australian businesses \$31.1bn annually.<sup>[6]</sup>

### *Financial exclusion in Australia*

In 2018, 11 per cent of Australian adults (2.1 million) reported experiencing severe or high levels of financial distress, and more than three million people were excluded from obtaining appropriate financial services and products.<sup>[7]</sup> Further, although down from 22 per cent in 2016, 19 per cent (2.4 million) of Australian employees were moderately or severely financially stressed, and single parent families were at most risk of financial stress, followed by people flatting with others, people living in regional Queensland and women.<sup>[8]</sup> The causes of financial exclusion in Australia are complex and interconnected, but research suggests that key contributing factors include; income inequality, with the top 20 per cent of Australian households holding five times the disposable income of the lowest 20 per cent,<sup>[9]</sup> unemployment, financial illiteracy, geographic remoteness and relational abuse.<sup>[10]</sup>

### *The financial inclusion programme*

In 2015 the Australian government prioritised financial inclusion by committing to international obligations including the Group of 20 FIAP and the United Nation's [Sustainable Development Goals](#). To deliver on this commitment, the Federal Minister for Social Services commissioned Good Shepherd Microfinance, Australia's largest microfinance provider, to develop and oversee Australia's first FIAP. In partnership with the Centre for Social Impact and Ernst and Young, Good Shepherd has created a platform for Australian organisations across diverse sectors to take practical steps to reduce financial exclusion within their spheres of influence.

The FIAP provides organisations with the opportunity to develop 12-month commitment statements that identify existing activities and develop new strategies to realise financial inclusion. Through a 'try, test and learn approach', organisations are encouraged to review, test and refine actions to reduce financial inequality, such as through improving user-centred product design and delivery, developing supportive policies and processes, collaborating with other organisations and enhancing economic participation and resources. Today, 33 trailblazing organisations have committed to implementing FIAPs. These organisations cover the financial services, utilities, social services, government, education and legal services sectors,

employing more 250,000 people and servicing 80 per cent of the Australian population.

Financial services trailblazers have focused on ensuring that their products and services best support customers at risk of financial exclusion. For example, the Commonwealth Bank has opened new bank accounts and held banking orientation sessions for more than 600 refugees as part of its new assistance programme. At National Australia Bank (NAB), employees have assisted Good Shepherd to develop and launch Speckle, a fast online cash loans service that offers a cheaper alternative for people seeking small cash loans under AU\$2,000. Further, Bank Australia has run budgeting and savings workshops for 27 Big Issue vendors in Adelaide and Brisbane, with plans to develop a national programme.

In the utilities sector, FIAP actions have focused on collaboration, including joint actions with public and private sector partners, to provide essential services to vulnerable customers. For example, Yarra Valley Water and EnergyAustralia have piloted a referral programme for shared customers facing financial stress, designed to offer quick and easy referrals across teams. In fiscal year 2018, Origin also invested \$15m in matched payments, waivers and price relief, and froze the impact of price increases for its vulnerable customers. Lastly, Wannon Water and AGL (an energy generator and retailer) are training staff to recognise and support customers affected by domestic and family violence.

### *Ashurst's FIAP 2018–2019*

Ashurst was the first Australian law firm to join the FIAP. To assist clients, Ashurst is partnering with other trailblazers to develop specialised legal services for people and communities at risk of financial hardship. For example, Ashurst is working with AGL, to offer discrimination law clinics as part of AGL's successful LGBTI program in the Latrobe Valley. Ashurst has also committed to starting a financial abuse clinic at Redfern Legal Centre in Sydney to support women experiencing financial abuse.

Ashurst has launched an internal Australia-wide referrals database, which offers clients a more integrated legal service, with support contacts across the country in 30 categories such as affordable housing, child support, disability services, financial services and mental health services. While in its early phase, the database is proving a key resource for connecting Ashurst's pro bono clients to broader support systems and networks. The database contents are available to other trailblazers, and the Australian Pro Bono Centre.

Ashurst's FIAP is also internally focused, with action areas for its staff and suppliers. For example, Ashurst is offering its staff superannuation, financial awareness training, and a central hub for all policies and resources relating to financial inclusion. Further, at the supplier level, Ashurst is in the process of identifying new ways to support financial inclusion, such as through introducing event catering from Aboriginal suppliers via Supply Nation, and purchasing gifts for external speakers from similar sources.

## *Conclusion*

Financial exclusion, in its complex and varied forms, can no longer be ignored by governments and industry leaders. Leading the way, Australia's FIAP is offering an integrated approach to realising financial inclusion that draws upon the diverse expertise and experience of the government and corporate and community sectors. Through practical actions targeted at increasing the accessibility of products and services and improving economic involvement and resources, 33 trailblazer organisations today are facilitating financial inclusion and creating a more equal, sustainable Australia.

<sup>[1]</sup> C Connolly, *Measuring Financial Exclusion in Australia* (Centre for Social Impact, University of New South Wales, 2014).

<sup>[2]</sup> Tina Harrison and Hooman Estelami, *The Routledge Companion to Financial Services Marketing*, p 553.

<sup>[3]</sup> World Bank, 'Financial Inclusion: An Overview', [www.worldbank.org/en/topic/financialinclusion/overview](http://www.worldbank.org/en/topic/financialinclusion/overview) accessed [16 April 2019].

<sup>[4]</sup> Jahel Queralt, 'A Human Right to Financial Inclusion', *Ethical Issues in Poverty Alleviation*(2016), pp 77–92.

<sup>[5]</sup> FIAP, 'From Foundations to Actions: Program Report March 2018', p 3.

<sup>[6]</sup> AMP, 'Financial Wellness in the Australian Workplace' (11 January 2019), p10.

<sup>[7]</sup> NAB and Centre for Social Impact, *Financial Security and the Impact of Economic Resources*(December 2018), pp 15, 18, [www.csi.edu.au/media/2018-Financial-Resilience-in-Australia.pdf](http://www.csi.edu.au/media/2018-Financial-Resilience-in-Australia.pdf) accessed [16 April 2019].

<sup>[8]</sup> AMP, 'Financial Wellness in the Australian Workplace' (11 January 2019), p 11.

<sup>[9]</sup> ACOSS and UNSW Sydney, 'Inequality in Australia 2018', p 25.

<sup>[10]</sup> Evgenia Bourova, Ian Ramsay and Paul Ali, 'The Experience of Financial Hardship in Australia: Causes, Impacts and Coping Strategies', *Journal of Consumer Policy* (28 May 2018); University of Melbourne Legal Studies Research Paper No 805.