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Ms Christine Ross
Coordinator of National Indigenous Consumer Strategy
Department of Consumer and Employment Protection
Locked Bag 14
Cloisters Square Western Australia 6850

By e-mail: cross@docep.wa.gov.au

Dear Ms Ross

Re: National Indigenous Consumer Strategy

I refer to the announcement in November 2004 seeking comments on the consultation document *Taking Action, Gaining Trust*, which sets out a framework for a National Indigenous Consumer Strategy.

ANZ would like to provide the following comments in relation to some of the priorities highlighted in the consultation document.

National Priority 1: Financial Management and Banking

Improving financial literacy

As you would be aware, ANZ released Australia's first survey of adult financial literacy in May 2003. The survey highlighted groups in our community that have the most to gain from improved financial literacy, including those on lower incomes, those with low education levels, those with low savings and those out of work or in unskilled work and those at both ends of the age spectrum (i.e. young people aged 18-24 and older people aged 70 and over).

Experience overseas demonstrates that money management is not a topic that many will seek information about until they are

facing a crisis. Further evidence suggests that face to face money advice is likely to be more effective than other forms of advice, particularly for those most at risk due to lower levels of financial literacy. With this in mind, ANZ developed the MoneyMinded program aimed at assisting these groups within the community.

MoneyMinded is an adult learning program designed for face to face delivery from community educators and financial counsellors. It was developed with input from the Australian Financial Counselling and Credit Reform Association (AFCCRA), Financial Counsellors' Association of NSW Inc. (FCAN), Australian Securities and Investments Commission (ASIC) and ANZ.

It covers the six core topics considered to be the most important for these groups on low incomes: planning and saving, easy payments, understanding paperwork, living with debt, everyday banking and financial products and rights and responsibilities.

MoneyMinded recognises the importance of community educators and financial counsellors who work with and can reach those in the community most in need of financial education. The Brotherhood of St Laurence is the first community organisation to partner with ANZ to use MoneyMinded in its work with low-income earners in Melbourne. ANZ aims to deliver MoneyMinded to 100,000 consumers throughout Australia over the next five years. More information about the MoneyMinded program can be found at www.moneyminded.com.au

ANZ understands that it is important that financial education materials are culturally appropriate for Indigenous communities and address issues specifically faced by Indigenous consumers. ANZ is now working with the Commonwealth Department of Family and Community Services (FACS) in the Northern Territory to develop an Indigenous financial literacy program specifically for Indigenous consumers, particularly those in remote settings around Australia. This program will draw on a range of existing financial literacy programs including MoneyMinded, and will be piloted and delivered as part of the Department of FACS Indigenous Financial Management Initiative. Six sites will be established initially in the Northern Territory and West Australia, and the first of these programs will commence in May 2005.

The Department of FACS and ANZ will then work together to develop and implement a strategy for this Indigenous financial literacy program to be made widely available through the many networks who can reach Indigenous communities.

Addressing financial exclusion

In October 2003, ANZ CEO John McFarlane made a commitment at the Brotherhood of St Laurence *Banking on the Margins* forum to examine the potential for community development finance (CDF) programs in Australia. CDF programs aim to address financial exclusion, "... the lack of access by certain consumers to appropriate, low-cost, fair and safe financial products and services from mainstream providers where this lack of access causes a level of harm to the consumer" (*Community Development Finance in Australia: ANZ Response to Consultation*, November 2004).

ANZ engaged Chant Link & Associates to conduct research into financial exclusion in Australia, which found that low levels of incomes and savings (<\$2000) are the most likely risk indicators of financial exclusion. As a consequence, sectors of the community most likely to be at risk of financial exclusion include people in poverty, people from Indigenous backgrounds, people with a disability and people on social security benefits. The risk of long-term financial exclusion can also be exacerbated by factors such as financial illiteracy, learned dysfunctional credit or savings behaviour and intergenerational exclusion.

ANZ consulted widely with stakeholders in the field who highlighted the need for a number of programs such as small loans, more financial counselling and financial education services, low-fee transaction accounts and low-cost, interest-bearing savings accounts or savings incentive programs. Traditional CDF programs such as loans for micro-businesses were considered likely to offer some significant benefits to Australian communities of most apparent need, such as Indigenous communities.

In response to the results of the research and consultation, ANZ announced on 25 November 2004 it would spend \$3 million over three years to expand its programs to reduce low-income earners' exclusion from mainstream financial services.

In addition to providing mainstream banking solutions which assist those who may be financially excluded, such as ANZ

Access Basic (offering unlimited free transactions for Centrelink recipients) and ANZ Progress Saver (allowing individuals to set their own timelines and savings goals), ANZ announced it would do the following:

- develop a new loans program tailored to the needs of people on low incomes who are currently using payday lenders and other fringe credit providers;
- fund additional resources to assist delivery of the MoneyMinded financial literacy education program to 100,000 potentially 'at risk' Australians over the next five years;
- develop microfinance programs including funding, financial literacy education, mentoring and support to facilitate the development of Indigenous businesses, delivered with the assistance of specialist community organisations and lenders; and
- expand ANZ's Saver Plus matched savings scheme to Indigenous communities.

Since the announcement in November 2004, ANZ has begun discussions with a number of parties working in Indigenous communities.

As highlighted above, ANZ is now working with the Department of FACS to produce a financial literacy program which will be piloted and delivered as part of the Department of FACS Indigenous Financial Management Initiative being rolled out in the Northern Territory and Western Australia.

The Indigenous Financial Management Initiative will also include an adapted version of Saver Plus that will be delivered alongside the Indigenous financial literacy pilot programs.

ANZ has also met with Indigenous leaders in Shepparton to discuss key priorities for addressing financial exclusion within the local community. Key priorities in the short-term were identified as:

- providing financial literacy education for those experiencing financial difficulty;
- providing financial literacy education for those seeking employment; and
- providing an opportunity to develop savings goals through programs such as Saver Plus.

ANZ aims to work with local community partners to address these priorities.

National Priority 2: Sale of Motor Vehicles

Esanda Finance Corporation Limited ('Esanda') is an asset based finance company providing vehicle and equipment finance products, including motor vehicle loans. It is a wholly owned subsidiary of ANZ.

Both ANZ and Esanda are aware of the issues set out in the consultation paper relating to the sale of overpriced, unroadworthy and inappropriate vehicles to Indigenous communities in remote outback regions. Esanda has developed a tailored credit assessment policy for motor vehicle loan applications made in some remote outback regions of NSW, South Australia, Northern Territory, Western Australia and Northern Queensland, which includes applications made by Indigenous consumers in these areas. This policy was formalised in mid 2004. While not developed specifically in relation to Indigenous consumers, the aim of this policy is to avoid creating a credit exposure for applicants where the asset being financed is at a high risk of being inappropriate for outback conditions or does not serve a useful purpose for the applicant.

Under the remote area credit assessment policy, credit is not provided for the purchase of vehicles beyond a certain age. This measure recognises that harsh driving conditions and a lack of suitably qualified mechanics in outback areas effectively reduces the lifespan of motor vehicles.

Another measure is that credit is not extended in these areas to finance extended warranty insurance. Most policies require the covered vehicle to be serviced in accordance with the instructions of the vehicle manufacturer and serviced by the selling dealer or an authorised service provider of the vehicle manufacturer. As compliance with these conditions is difficult, if not impossible, for residents of remote areas, the extension of credit in these circumstances will most likely only create a liability for the consumer, without any benefit in return.

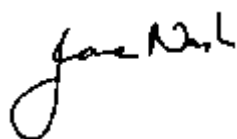
Esanda's assessment of the policy after six months is positive. The Australian Securities and Investments Commission has provided encouraging feedback to Esanda on the policy,

proposing to use it as an example of a 'benchmark' policy for other finance companies.

We would be pleased to provide you with further information about the policy should it be needed.

I hope this information assists in your consideration of possible actions to address the key priorities identified. If you have any questions or would like to discuss these matters further, please do not hesitate to contact me on (03) 9273 6323.

Yours sincerely

A handwritten signature in black ink, appearing to read "Jane Nash". The signature is written in a cursive style with a large, looping initial "J".

Jane Nash
Head of Government and Regulatory Affairs