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3 December 2013

Head of Secretariat  
Financial System Inquiry  
The Treasury  
Langton Crescent  
Parkes ACT 2600

### **RE. Financial inclusion – Financial System Inquiry Draft Terms of Reference**

Kildonan UnitingCare welcomes the opportunity to provide feedback to the Government on the draft Terms of Reference for the Financial System Inquiry.

The objective of the Financial System Inquiry is to examine how the financial system can best support Australian economic growth while fostering a financial system, consistent with financial stability, prudence, integrity and fairness.

Over the past ten years, Kildonan UnitingCare has partnered with a range of Australian financial service providers. Our partners have included major banks and debt collection agencies working with us to improve the quality, safety and availability of financial services and products for all Australians.

Through these significant partnerships with financial services providers, both pre and post the global financial crisis, Kildonan UnitingCare has become well placed to observe and comment on the social and economic impacts of restricted as well as unsustainable capital lending in the personal and small business credit markets.

It was Kildonan UnitingCare and other our community agencies like us that worked with creditors and those impacted by redundancy, loan default, bankruptcy and foreclosure to ensure families were not left homeless and without support following the global financial crisis. Lessons learnt from the crisis brought home the reality that in order to fully realise a fair and stable financial system, it is crucial that as a society we must pay more attention to ensuring all Australians have access to safe and affordable financial products and services.

Based on this experience, we therefore urge the Government to include within the Financial System Inquiry Terms of Reference an emphasis on financial inclusion - ensuring all Australians have the opportunity to safely participate in and access the benefits of a well-functioning financial system.

#### **Recommendation - Reference financial inclusion in the Financial Systems Review Terms of Reference**

Financial inclusion - ensuring all Australians have the opportunity to safely participate in and access the benefits of a well-functioning financial system - is an important pillar of a stable and prudent financial system.

Without access to essential financial services and products such as low fee bank accounts for everyday transactions, affordable credit to participate in the economy and insurance to protect assets and life savings, most families simply cannot get ahead. However, according to the 2013 National Australia Bank report on financial exclusion, approximately three million adults are financially excluded.<sup>i</sup> These three million Australians are unable to access either a bank account, small credit or insurance, less able to fully participate in the economy and more likely to access non-prudent and high risk capital from non-mainstream and unregulated providers.

Consideration of financially inclusive products and services is crucial for the stability, prudence, integrity and fairness of our financial system to ensure no-one is left behind as we realise economic growth.

- Recommendation: Under section three of the Financial System Inquiry draft Terms of Reference, the Government add a reference to financial inclusion as 'emerging opportunities and challenges that are likely to drive further change in the financial system'.

#### **About Kildonan UnitingCare**

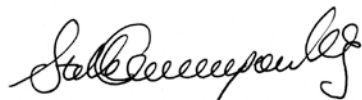
Kildonan UnitingCare is one of Australia's oldest community organisations and has been working to improve the lives of vulnerable community members for over 130 years. Our agency is part of the UnitingCare network, one of the largest providers of community services in Australia comprising around 400 community service agencies located from the heart of our cities through to isolated and outback towns. Each year, the UnitingCare network supports more than 2 million Australians.

Kildonan UnitingCare's vision is to facilitate thriving and inclusive communities based on respect, justice and compassion for all people. To do this we create and deliver integrated solutions that lead to social and economic inclusion.

We partner with federal, state and local Government as well as corporate and community sectors, to deliver services across Melbourne, Victoria and around Australia. Kildonan UnitingCare's programs include youth, family and children's services, integrated family violence programs, financial counselling, energy efficiency programs and community based support programs.

If you would like to discuss the issues and recommendation raised by Kildonan UnitingCare, please contact me on (03) 9412 5701 or email [savram@kildonan.org.au](mailto:savram@kildonan.org.au).

Yours Sincerely,



**Stella Avramopoulos**  
**Chief Executive Officer**  
**Kildonan UnitingCare**

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<sup>i</sup> Connolly C, Measuring Financial Exclusion in Australia, Centre for Social Impact (CSI) – University of New South Wales, 2013, for National Australia Bank