



Media Release

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ANZ announces measures to assist Australians facing financial exclusion: follows new research into problem

ANZ today released the results of its research program into financial inclusion which shows up to 120,000 Australians are struggling to access appropriate low-cost, fair and safe financial services from mainstream providers.

The research also shows that nearly one million Australians have only basic access to financial services. Many of these are unemployed, in poverty, disabled or part of the indigenous community.

Financial exclusion is the lack of access to appropriate financial services products and services which causes harm to the individual. For example, exclusion from mainstream sources of credit can result in individuals using exploitative 'payday lenders' or 'loan sharks'.

In response to the findings, ANZ will spend \$3 million to expand its programs to reduce low-income earners' exclusion from mainstream financial services.

The financial inclusion research carried out for ANZ by market research firm Chant Link and Associates shows:

- around 120,000 people, or 0.8% of Australia's adult population, could be considered totally excluded with no ownership of financial products
- around 6% of adults have minimal financial access owning only a transaction account
- risk factors influencing financial exclusion include unemployment, poverty, disability or long-term illness and low education levels
- factors causing long-term financial exclusion include financial illiteracy, learned dysfunctional credit or savings behavior and intergenerational exclusion
- special factors affect Indigenous Australians who are the only ethnic group in Australia consistently associated with financial exclusion.

The Chant Link research forms part of a major paper examining financial inclusion released by ANZ today and follows the Brotherhood of St Laurence's Banking on the Margins forum in 2003. The full research report entitled "Community Development Finance in Australia" is available from www.anz.com/aus/aboutanz/Community

ANZ Chief Executive John McFarlane said ANZ would increase its investment in community development finance initiatives like small personal loans, loans for enterprise development, matched savings schemes, financial counselling and advice and financial literacy training.

The specific initiatives include:

- a new loans program tailored to the needs of people on low incomes who are currently using 'payday lenders' and other fringe credit providers

- funding of additional resources to assist delivery of the MoneyMinded financial literacy education program to 100,000 potentially 'at risk' Australians over the next five years
- microfinance programs including funding, financial literacy education, mentoring and support to facilitate the development of Indigenous businesses, delivered with the assistance of local credit unions
- expansion of ANZ's Saver Plus matched savings scheme to Indigenous communities.

Mr McFarlane said ANZ would work in partnership with community organisations like the Brotherhood of St Laurence, specialist financial services providers such as Indigenous credit unions and with government to deliver the initiatives.

"Our research shows that many of the Australians in the most need are caught in a vicious poverty trap. There are clear areas of need that would make a big difference to their lives and the lives of their children. These include small loans at an accessible cost for people on low incomes; microfinance in communities facing disadvantage particularly the Indigenous community; and savings products, financial counselling and financial literacy for those people potentially 'at risk'," he said.

"We believe that issues around the effective use and management of money and access to financial products and services can have a profound effect on people in the most vulnerable sections of the community.

"For many others in the community, even those who have a basic understanding of the fundamentals of money management, empowering them with the appropriate financial skills, knowledge and information means they are better placed to make informed decisions about their money and avoid being misled on financial matters," Mr McFarlane said.

ANZ's community consultation and research program in financial inclusion was supported by a steering group with representation from the Consumer Law Centre Victoria, the Brotherhood of St Laurence and Consumer Affairs Victoria and involved input from over 20 representatives from consumer advocacy organisations, the community sector, academics, regulators and government.

Commenting on the report, Mr Chris Field, Executive Director of the Consumer Law Centre, said: "Our research indicates low-income consumers need, from time to time, to borrow money to pay for such essential items as utility bills, car registration, children's clothing or food.

"Unfortunately, they have been forced to use payday lenders and other fringe credit lenders who charge rates as high as 1300% per annum to borrow money for essential needs. Low-income consumers need an option beyond these exploitative and unsustainable credit providers.

"These initiatives by ANZ will allow low-income consumers to borrow money in the mainstream credit market in a sustainable and non-exploitative way," he said.

General Manager of the Brotherhood of St Laurence Community Services Division, Ms Catherine Scarth said: "Through our work with people on low incomes we know that too many Australians can't meet their most basic needs because they have no access to financial services.

"By focussing on people currently excluded from banking we can have an amazing impact on the self-confidence and self-esteem of many individuals and families. It will help people out of poverty and reconnect them with society, making for a fairer, more inclusive Australia."

CUSCAL, the peak body for Australian credit unions, welcomed ANZ's proposals for partnerships with credit unions. Chief Executive Officer Mr John Gilbert said: "It's an exciting opportunity to partner credit union experience with the resources of ANZ, to deliver real benefits for communities.

"With over 170 credit unions nation-wide, we have the on-the-ground expertise to deliver real results in financial literacy, community development and savings programs. We have strong ties to our communities, including credit unions that focus specifically on Indigenous Australians."

CUSCAL and credit unions will continue discussions with ANZ and others on partnership options, drawing on successful models in other countries.

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Case study: financial inclusion and savings

Julie, a young mother in Shepparton, Victoria, is participating in ANZ's Saver Plus program with our partners at Berry Street Victoria. Her immediate target is to have enough money to buy a computer and printer for her son who is entering Year 8 in 2005. *"Saver Plus has meant an amazing change in my life. It's taught me to save from a background of nothing. The kids can ask me for something now and I can say I'm capable of saving for that. I've never felt so proud of anything in my life."*

Julie says her newfound budgeting skills will also enable her to pay for uniforms, school fees and school camps each year. *"It's not just something that's taught to me and then goes away. It's a long-term tool that I can also share with my children."*

Case study: financial inclusion and payday lenders

In 2002 the Consumer Law Centre Victoria issued a major report* on the effects of payday lending including the experiences of 12 payday loan consumers. The report indicated borrowers using payday lenders reviewed in the report faced annual percentage interest rates of between 600% and 900% for small loans of under \$1000.

The stories below are among those from 12 consumers interviewed as part of the report.

Richard, a factory worker, described his financial situation at the time of applying for his first payday loan. *"We weren't getting overtime or anything. It was just a weekly wage every week, plus the wife wasn't getting any overtime and she only works in a clothing factory. So the money we were getting was just enough to pay our mortgage every week and, you know buy food and everything too. We couldn't save anything or put anything away for a rainy day."*

One consumer, asked why the size of the loans they obtained frequently varied, gave an insight into the circumstances behind such loans. *"None of the bills got paid until they were absolutely desperate, and if it was a mid-pay week and I didn't have any money I'd charge off (to the payday lender) ... and get the money to pay the bill. So that's why it would vary. Sometimes I would take out \$300 because I needed to get food."*

Very few consumers interviewed had any comprehension of annual percentage rates they paid. *"To be honest I don't even know what the interest is. The money comes out of my account and basically that's it."*

* "Payday Lending in Victoria – A Research Report" in July 2002. The report can be found at www.clcv.net.au