



Facilitating Electronic Financial Services Disclosure

Response to Consultation Paper 224 Australian Securities and Investments Commission

Financial Counselling Australia (FCA) is
the peak body for financial counsellors
in Australia.

info@financialcounsellingaustralia.org.au | www.financialcounsellingaustralia.org.au

Ground Floor, River Tower
20 Pidgeon Close
West End Q 4101

PO Box 3482
South Brisbane BC
Q 4101

p: 07 3004 6911
f: 07 3004 6999
tw: @FCAupdate

submission contact
Fiona Guthrie
p: 0402 426 835

About Financial Counselling

Financial counsellors assist consumers in financial difficulty. They provide information, support and advocacy to help consumers deal with their immediate financial situation and minimise the risk of future financial problems. The majority of financial counsellors work in community organisations, although some are employed by government. Their services are free, confidential and independent.

Financial Counselling Australia

FCA is the peak body for financial counsellors in Australia. FCA's member groups are the eight State and Territory financial counselling associations.

Contact Person for This Submission

Fiona Guthrie
Executive Director

1. Introduction

There is a rapid global move toward a paperless world and so there is an element of inevitability embedded in this consultation paper. Therefore it is even more important to stop and consider:

- the consequences of moving toward electronic financial services disclosures
- who needs to be protected during the period of change
- how protections can be implemented.

There are two issues to consider and both are explored in more detail in the sections below. They are ensuring:

1. that people have the information they need to make an informed choice before entering into contractual arrangements
2. consumer choice as to the method of disclosure.

We also note that there is a distinction between information consumers need and want and what financial services companies may want them to know.

Our response to the discussion paper provides general comments, but given the work of financial counsellors, has a stronger emphasis on financial services disclosures (FSDs) and credit services.

2. Ensuring People have the Information to Make Informed Choices

Our primary concern is that people have the information they need to make an informed choice. This means information has to be presented in a clear and understandable format. There are also benefits for business if customers understand the products and services they are selling, including reducing disputes. However, currently the length and language of many FSDs mean that many people do not read them and certainly don't understand them. People with low literacy levels are even less likely to have read and understood the information. We can therefore see that there can be advantages in more electronic disclosure.

However in exploring the use of innovative web-based disclosures we note that there are both pros and cons and these need to be considered in any re-design of the disclosure regime. It is important to remember that there will

always be some consumers for whom electronic disclosure will not work and any system needs to accommodate this group, rather than overlook them. For example:

- some vulnerable or low-income consumers cannot access electronic communication channels because of lack of credit on pay-as-you-go plans or after disconnection
- low income and vulnerable consumers are also more likely as a group not to have access to the internet.
- for other consumers, the only access to the internet is via a smartphone and reading disclosure documents in this medium is very difficult.
- Approximately 40% of people are functionally illiterate and electronic disclosure, indeed any form of written disclosure, will not be effective.

On the other hand, we recognise that web-based disclosures may increase an individual's ability to read and comprehend information if FSDs are chunked down to simple messages supported by graphics. Customers could click through the pages of disclosure to confirm that they have read the information.

3. Ensuring Consumer Choice as to the Preferred Method of Disclosure

Best practice would involve asking consumers to identify their preferred method of contact, from a range of options. We are concerned that email may become the default method of disclosure when both mailing and email addresses are supplied by a consumer, rather than asking the consumer to choose.

4. Barriers to Email Disclosure

There are a number of issues that need to be considered if delivery via email becomes the default, or most common, disclosure mechanism.

- People change emails, some more often than others, and there may be no ability to forward emails from an old address

- As noted above, there is a high risk of vulnerable consumers losing a connection to their telco provider and as a result being unable to directly receive email
- Many people (especially older people) are reluctant to provide email addresses because of fear of scams
- There is so much email traffic these days that consumers tend to ignore or delete emails if they are not immediately relevant
- There is an issue of confidentiality/security of the information. Many people have shared email accounts and may not want personal financial information provided via email where there is no guarantee of security
- Email addresses that have been provided to FSPs in the past were for different contexts and therefore it cannot be assumed that FSPs can use the email addresses for new purposes without first gaining permission.

5. Other Considerations

There are a number of other considerations that need to be factored into the debate. These are below.

- People who opt for hard copy documents to be mailed should not be penalised through a fee as this would prejudice many vulnerable consumers, especially older people.
- It would be useful to understand whether consumers actually prefer electronic disclosure and if they are more likely to read documents electronically. This requires research.
- The type of information to be included needs to be considered, eg Product Disclosure Statements, Financial Services Guide and Key Feature Statements versus statements with personal information.
- Default notices proportionately affect vulnerable consumers and have time critical consequences. It is important that these types of communications are sent via modes that consumers are most likely to receive and read. Options include regular mail, email and SMS. Client preferences and permissions must address both issues around privacy and choice.

- Consumers should be able to opt-in to different types of disclosure and make granular choices.

More research is needed to understand consumer preferences, the likelihood of reading FSPs via different delivery mechanisms and most importantly, which mechanism has the most impact on comprehension. Meanwhile consumers need to be given free choice between access to hard copy or electronic documents.