

# Small Business and Agribusiness Workshop Report



**BCCC**  
Banking Code  
Compliance Committee

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# Small Business Workshop

## ACKNOWLEDGING THE UNIQUE NEEDS OF SMALL BUSINESS AND AGRIBUSINESS CUSTOMERS, WE ARE COMMITTED TO IMPROVING THEIR BANKING EXPERIENCES.

Our Small Business and Agribusiness Advisory Panel (Advisory Panel) reported concerns that small businesses and agribusinesses were reaching out to banks for assistance too late when experiencing financial difficulty.

We had also heard from banks about their desire to understand why small business and agribusiness customers were not reaching out for assistance earlier.

To explore the issue of financial hardship for small business and agribusiness customers, we brought together a range of key stakeholders for a workshop in March 2023.

The purpose of the workshop was to collaborate with banks and other key stakeholders to:

- explore the barriers to assistance for small business and agribusiness customers when they begin to experience financial hardship
- identify practical solutions and ways to connect small business and agribusiness customers with the right support and assistance early
- share examples of good practice in the industry.

The workshop included representatives from banks, consumer and government organisations, and our own Small Business and Agribusiness Advisory Panel. It was important that we drew on the experiences of a wide range of stakeholders to understand and consider the challenges from various perspectives.

This report builds on the discussions from the workshop, outlining examples of good practice and suggested actions for banks to consider.

## THE CHALLENGE

The challenging environment of rising interest rates, inflation and extreme weather events has put pressure on small business and agribusiness customers, and many are struggling.

For these customers, the financial stresses from their businesses have significant knock-on effects for personal finances, relationships and mental health. But we have found that small business and agribusiness customers often reach out for assistance too late when faced with financial hardship. And by the time many reach out, they have already turned to alternative options for finance such as Buy-Now-Pay-Later (BNPL) providers and high-risk lenders with high interest rates, fees and charges.

To get the best outcomes for small business and agribusiness customers experiencing financial hardship, early intervention is critical.

Banks have obligations in the Banking Code of Practice to small business and agribusiness customers experiencing financial difficulty.

These obligations, set out in Part 9 of the Code, include identifying common indicators of financial difficulty and working with small business and agribusiness customers to find sustainable solutions to financial difficulty.

# Barriers to financial hardship support

## AGRIBUSINESS VS. SMALL BUSINESS

A disparity exists between the support available to agribusinesses and small businesses.

Agribusinesses have a historical culture of support and collaboration with governments. They generally also have a wider asset base, which may result in greater support from banks, creditors and the government, among other reasons.

Less support available for small businesses increases the risk of intermingling personal and business finances. Sometimes, low levels of financial literacy in small businesses mean customers may fail to understand the implications of defaulting on loan repayments.

## UNSECURED CREDITORS AND BUY-NOW- PAY- LATER

The availability of 'no questions asked' credit from unsecured lenders and BNPL schemes provides a fast option for credit for small business owners.

With these options often backed by high interest, fees and charges, as well as stringent repayment requirements, they can exacerbate debt and financial difficulty for small businesses and agribusinesses.

## PERCEPTION OF SUPPORT

Small business and agribusiness customers may be reluctant to accept assistance, with the perception that it is often seen as 'charity'. This can lead to a tendency for these customers to draw on personal finances which can affect their families and friends and leave them more vulnerable to longer-term financial hardship.

Some fail to recognise the severity of their situation and feel shame or are too proud to reach out once they realise they need help from their bank, a financial counsellor, or other support services..

The entrepreneurial spirit that motivates the efforts to start a business may come with an optimism that contributes to a reluctance to reach out for support.

For agribusinesses, an additional layer of complexity comes with farmers commonly thinking of their work as a vocation rather than a commercial enterprise. This can cultivate an attitude that is reluctant to recognise financial difficulty and reach out for assistance.

## LOWER FINANCIAL LITERACY

Many small business owners may not sufficiently understand their business within the broader market and identify and mitigate risks. And, commonly, a lower level of financial literacy means they can struggle to fully understand the requirements of loan repayments and make sound commercial decisions.

# Barriers to financial hardship support

## THE OVERLOOKED CUSTOMER

Not all small business customers are assigned a Relationship Manager. Whether a customer is assigned a Relationship Manager depends on a range of factors, such as the size of the loan and the complexity of the arrangements.

Some banks confirmed that they do not assign a relationship manager to small business customers with loans under \$1 million.

Without a Relationship Manager, a customer does not engage with a single contact person at the bank consistently and is less likely to receive early intervention on financial difficulty. Often, the banking arrangements of small businesses means a complete view of the customer is more challenging.

However, it is impractical for a bank to provide a dedicated Relationship Manager to every small business customer, so the challenge lies in increasing engagement with the customers who do not receive one.

A regular transactional relationship with a customer is less likely to facilitate the trust in a bank required for a customer to reach out for assistance on their own accord.

Added to the challenge is the difficulty in identifying the companies with few or no employees as small businesses. This becomes even harder when personal and business finances in such enterprises are intermingled.

## MENTAL HEALTH CHALLENGES

Sustained volatility in the market has resulted in distress for many business owners. This distress can have a significant effect on the ability to consider circumstances clearly and can impair decision-making.

## ACCESSIBILITY

For small business and agribusiness customers in rural and remote areas, reduced accessibility to digital platforms can result in a limited awareness of the quality financial hardship assistance available.

Many rely on banking in physical branches for information about services and increasing branch closures in recent times has made it harder to find information about financial hardship assistance.

To help address this, governments are continuing to invest in digital infrastructure in rural and remote areas to ensure more widespread reliable access to digital platforms.

# Good practice

**OUR WORKSHOP IDENTIFIED GOOD PRACTICES FOR EARLY INTERVENTION TO IMPROVE THE OUTCOMES FOR SMALL BUSINESS AND AGRIBUSINESS CUSTOMERS WHO MAY BE EXPERIENCING FINANCIAL HARDSHIP.**

## 1. DATA ANALYSIS

Effective data collection and analysis can help identify customers at risk of experiencing financial difficulty. It can also reveal potentially vulnerable companies that would benefit from proactive communication from their bank.

Chapter 40 of the Code requires banks to employ a range of practices to identify common indicators of financial difficulty.

## 2. PROACTIVE OUTREACH

Proactive outreach is critical to early intervention on financial hardship. Reaching out proactively can include making outbound calls to customers identified as needing assistance and providing communication materials directly to customers or to industry partners to pass on to customer bases.

Segmenting customers into specific groups according to their risks and needs can help to offer them the most appropriate products and services quickly and efficiently.

## 3. DOCUMENTATION

Having to recount stories each time to a service provider can be distressing for customers experiencing financial difficulty and can act as a barrier to services. Keeping clear and detailed records that allow service providers, including banks, to refer customers without requiring them to recount their stories again can relieve distress and lower barriers to services.

## 4. RELATIONSHIP APPROACH

An approach that cultivates a relationship with a customer beyond the transactional can encourage regular interaction and build trust.

For customers that do not have a personal connection with the bank via a relationship manager, banks should ensure that their websites have tools to steer customers toward the right information.

Banks should use phone calls to engage with customers and warm handovers when transferring customers between teams. Good record keeping is essential to ensure that whoever opens a customer's file understands their situation and what has already occurred.

Not only will they build trust, but these small acts can also increase the customer's awareness of and receptivity to the services available.

## 5. SUPPORT WITHDRAWAL

Financial hardship assistance is a short-term solution and there will come a time when the support must end.

To manage this effectively, banks should have strategies that end the support over time with sufficient notice and cause minimal distress to the customer.

## 6. EDUCATION

Educating customers on fundamental issues of finances is critical and is the responsibility of the entire financial sector. Doing so can improve financial literacy, which will have positive effects on behaviour and decision-making.

However, timing of education plays a major role in its effectiveness. While providing resources to help customers in financial hardship is important, making the effort to educate them early is a critical step – often overlooked – that can prevent hardship.

Banks should have good resources on financial literacy available for small business and agribusiness customers at the time they seek finance or open accounts to help set them on the right path.

A catalogue of support options available to customers in financial difficulty can help banks ensure their employees are offering the most appropriate products or services to customers.

## 7. QUALIFIED, RESPONSIBLE ADVICE

Small business and agribusiness customers are more likely to approach their peers or existing connections when seeking guidance on matters of finance, but these people may not be sufficiently qualified or knowledgeable to offer the right advice.

Promoting channels to reliable financial advice from qualified people is crucial and should be a focus for all with connections to small businesses and agribusinesses, both within and outside of the financial sector.

## 8. BEHAVIOURAL INSIGHTS

Language is crucial in framing the issue for a customer. Certain terms and phrases can break down barriers to assistance and others can inadvertently create barriers.

Banks should engage their behavioural insights teams or external expertise to help frame the concept of hardship assistance in a way that avoids stigma and encourages uptake from customers.

Understanding customer needs and behaviour is important and using the right language to tailor communications can lead to customers being more receptive to support services available to them.

## 9. FARM DEBT MEDIATION

Farm Debt Mediation (FDM) schemes vary by state. It is legislated in New South Wales, Queensland, Victoria and South Australia; it is voluntary in Western Australia; and it is not legislated in Tasmania, Northern Territory and Australian Capital Territory.

Despite this, where it is practicable, banks should aim to provide a consistent approach to FDM in all their states and territories of operation for the benefit of all customers, even if the approach is not required by law. However, it is important to recognise that banks must comply with FDM requirements in jurisdictions where it is legislated.

# Highlight: Data collection, analysis and modelling

## PROGRAMS FOR IDENTIFYING AT RISK CUSTOMERS

Analysing data to identify small business customers at risk of financial hardship can help banks engage early and improve outcomes.

One bank has programs that do this well.

It uses data to identify at-risk small business customers and support them through two key programs:

- customers at risk of financial hardship
- customers at risk of falling behind on repayments.

Several indicators and data points identify customers for each program, including:

- high use of credit facilities
- low savings
- accounts with low available redraw
- accounts with insufficient funds to meet the next repayment.

From its data analysis, the bank can contact customers via SMS to let them know about the services available to the customer.

In crafting its messages, the bank considers the tone, content, and frequency carefully, and makes changes according to the customer's circumstances and potential risk of experiencing hardship.

The programs are an effective way for the bank to prompt a conversation with customers before they fall behind on their repayments or into hardship. They give the customer an opportunity to work with the bank at an early stage to find a tailored solution.

The bank started this initiative in 2019 in line with updates to the Banking Code of Practice. It has used the programs to find sustainable solutions for small business customers across different lending products.

## WHY CUSTOMERS ARE CONTACTED VIA SMS

Messages via SMS are direct, simple and, in most cases, reach customers immediately. The messages that the bank sends do not ask the customer to click a link or enter their login details. Instead, the customer is given the option to call the bank and have a short conversation with someone.

This is just one communication channel among a wide range available, though. The bank may use other communication methods in combination with SMS to reach out to customers falling behind on repayments or in financial hardship.

The bank regularly evaluates the effects of the programs on customer behaviour.



## Highlight: Data collection, analysis and modelling (cont.)

### A NEW PROGRAM

In 2022, the bank began working on a new initiative which uses data from small business customer transactions to identify customers potentially at risk of financial hardship.

After rigorous testing, it launched the program, which examines monthly income and expenses, available savings and redraw alongside scheduled repayment obligations, to identify customers in need of contact.

The bank can then contact the customers they identify as needing communication via SMS to let them know about the services available to them.

The program was successfully launched in 2023 and provides an additional mechanism through which to engage early with at-risk customers.

### WHY DATA CAPABILITY IS IMPORTANT

When experiencing financial difficulty, it is critical that small business customers have contact with their bank early to discuss options. The approach that this bank takes is one way to identify and proactively reach out to the customers that may be at risk of financial hardship.

The bank continues to monitor the effectiveness of all its programs regularly.

*\*At the request of the bank, we have kept this case study anonymous.*

## Highlight: Proactive outreach

### THRIVING COMMUNITIES PARTNERSHIP & COMMONWEALTH BANK OF AUSTRALIA

Thriving Communities Partnership (TCP) has an innovative program called One Stop One Story Hub (the OSOS Hub) which acts as a single access point connecting banks and other organisations with customers that require assistance.

The program proactively connects customers with available support that relieves the need for customers to retell their story to multiple providers.

Initially TCP ran a pilot of the Hub, where it was available to people experiencing financial difficulty who had been affected by family violence. Following the success of that pilot, it expanded the Hub to include all people experiencing financial difficulty, including small business customers.

The Hub comprises 21 organisations, including Commonwealth Bank of Australia (CBA). While CBA is currently the only major bank that participates in the program, another major bank will join the program soon.

#### HOW IT WORKS

When a customer contacts a participating organisation – such as a bank, phone company or utility provider – for assistance, the organisation, with the customer's consent, can alert other providers of the customer's needs through a secure digital referral portal.

The other organisations can then reach out directly to the customer through the customer's preferred contact method at the customer's preferred time to offer support.

The participating organisations in the Hub agree that the customer does not need to provide evidence of their circumstances to access the available support.

#### WHY IT IS IMPORTANT

TCP states that less than 1% of the population are using corporate hardship assistance programs. It suggests that barriers to accessing support include a lack of awareness about the programs, an inherent mistrust of corporate organisations, and embarrassment about having to ask for help.

Banking is often the first point of contact for people experiencing family violence and financial hardship, and a single access point, such as the OSOS Hub, makes it easier for people to receive support from multiple services providers.

In the current economic climate, with cost-of-living pressures and interest rate rises, ensuring customers are aware of available support services is vitally important.

## Highlight: Proactive outreach (cont.)

### CASE STUDY FROM TCP

Alana and her child left a situation of domestic violence with nothing but a bag each.

Alana had lost her job due to the impacts of domestic violence and was staying with her parents until she could find more permanent accommodation. Before contacting her bank, CBA, Alana linked herself with 1800RESPECT and a social worker.

When Alana contacted her bank, its 'Next Chapter Team' was able to support her with a once-off payment for food, personal hygiene items, clothing and necessary medication. The bank also ensured that all of Alana's bank accounts were safe and restricted to her own use.

While discussing her circumstances with the bank, Alana mentioned that she was also having difficulties with her phone bills. The bank introduced Alana to the One Stop One Story program and offered to make a referral directly to a specialised team at the phone company. After receiving the referral from the bank, the phone company contacted Alana and offered support waiving her owed balance and providing six months of credit.

### HOW CBA HAS HELPED

Often being the first contact for customers experiencing financial difficulty or domestic or family violence, banks have a crucial role to play in providing support.

CBA has made over 1,250 outbound referrals through the OSOS Hub but received just over 80 inbound referrals from other service providers. Its 'Next Chapter Team', responsible for immediate assistance to individuals affected by domestic and family violence and financial abuse, looks at a customer's account and if it sees a direct debit set up with a participating phone company or utility provider, it suggests a referral to the Hub.

The feedback from customers has been positive and the program has also been rewarding for CBA staff who see the good that their work is doing.

Receiving an OSOS referral means staff spend less time gathering information and more time providing necessary assistance.

*I am very proud that our organisation has OSOS as a pathway for our customers. It has been a massive highlight in my career as I can hear the gratitude from customers when we refer them.*

*- Bank staff member*

## Highlight: Proactive outreach (cont.)

### PRIVACY

CBA has a robust process in place to protect the privacy of customers. It ensures it receives a customer's explicit informed consent before referring them to the OSOS Hub.

The OSOS Hub has a secure system for referrals, which was designed in collaboration with government, community and corporate partners over 18 months. TCP reports that in a survey of participating organisations, 98% confirmed that they were confident that safety and privacy was at the forefront of the OSOS Hub program.

While it took time for CBA to become a participating organisation, it implemented the program in its processes successfully. It started with a small-scale pilot program for customers experiencing domestic violence and is working towards extending the program to broader categories of hardship.

## Highlight: Education – Financial counselling guide

### WESTPAC BANKING CORPORATION

Westpac shared an initiative it introduced which recognises the important role financial counsellors play in finding tailored plans for small business customers in financial difficulty.

Customers at risk of or experiencing hardship are expected to understand complex laws for credit, bankruptcy and debt collections, as well as the various support options offered by their bank. The difficulty of this is exacerbated when customers do not reach out for assistance early enough.

Often small business customers may need assistance to identify and manage the risks of financial hardship. And financial counsellors play a crucial role in providing accessible, tailored support to customers experiencing financial difficulty.

Westpac aims to help customers at risk of financial hardship by drawing on the skills and expertise of financial counsellors.

Westpac has developed a comprehensive guide for financial counsellors to support small business customers to understand the options for financial hardship assistance available to them. Financial counsellors use this guide to help small business customers before their hardship escalates.

The guide is simple and clear and sets out the options for support and solutions to financial hardship.

Recognising that every small business customer's situation is unique, the guide emphasises the availability of tailored solutions, including:

- Long-term repayment arrangements
- Reduced repayments
- Reduced settlements
- Other customised strategies

By reaching out to Westpac and engaging with a financial counsellor, small business customers gain access to timely support and a range of available options. The collaborative approach enables early intervention and encourages customers to make informed decisions before experiencing more severe hardship.

# Proposed Action

**OUR WORKSHOP IDENTIFIED ACTIONS THAT ATTENDEES CAN TAKE TO HELP ENSURE SMALL BUSINESS AND AGRIBUSINESS CUSTOMERS FIND THE INFORMATION AND SUPPORT THEY NEED.**

## ONE STOP ONE STORY HUB

Banks should consider participating in the OSOS Hub from the Thriving Communities Partnership.

The OSOS Hub is a digital platform that allows frontline workers in corporate and community organisations to refer clients to support service providers. The platform simplifies the process for people needing support, reducing the burden and complexity of contacting each service provider individually.

A successful pilot program with several large corporate entities, including Commonwealth Bank of Australia and Telstra, demonstrated its effectiveness, and expanding its use to industry bodies, regulators, and financiers would be beneficial for many people experiencing financial hardship.

Participation from more banks will create more referral paths, significantly increasing the number of customers connected to service providers.

## FINANCIAL ASSISTANCE HUB

The Australian Banking Association recently updated its [Financial Assistance Hub](#) and will continue to explore opportunities to update this resource.

The Financial Assistance Hub provides accessible information to small business and agribusiness customers about financial difficulty and options for support.

## THE AUSTRALIAN TAX OFFICE

Workshop attendees will explore opportunities to raise concerns with the ATO about debt and payment periods.

The workshop revealed this to be a major area of concern. The large size of debt, relative to turnover, as well as short payment periods were cited as the 'make or break' for many small businesses in financial difficulty.

## EXERCISING INFLUENCE

All workshop attendees can use their respective networks and connections to influence change and advocate better support services and solutions.

Financial hardship is a multi-faceted issue which spans the entire financial sector.

There are several areas of concern and issues that our workshop identified as needing influence and advocacy:

- increased capabilities within the accounting sector on financial hardship
- consistent funding for financial counselling specific to small businesses
- greater regulation of unregulated sectors
- increased awareness of practices in the broker industry
- engagement of banks with state authorities
- a consistent approach to Farm Debt Mediation.

## About Us

We are an independent body with the purpose of monitoring bank compliance with obligations under the Banking Code of Practice (the Code) and encouraging practices that lead to better outcomes for customers.

### About the Code

The Code sets out obligations that promote high standards of ethical conduct and customer service for banks.

The Code aims to strengthen consumer protection by ensuring banks operate with transparency, accountability and a focus on consumer interests and needs. It also helps to build a relationship of trust with consumers.

Subscribing to the Code commits banks to good practices and service delivery that is fair and reasonable.

The Code is owned and published by the [Australian Banking Association](#) and is an important part of the national consumer protection framework and banks regulatory system.

### Small Business and Agribusiness Advisory Panel

We have an expert Small Business and Agribusiness Advisory Panel, comprising five members, to provide us with expert insight and advice on small business and agribusiness matters, including:

- the experiences and needs of small business and agribusiness customers when dealing with banks
- the effects of policies, procedures and processes on small business and agribusiness customers
- the impact of regulatory and legislative changes on the small business and agribusiness community.

More information about the Advisory Panel is [available on our website](#).



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