

What assistance can financial counsellors provide to small business clients?



Generalist financial counsellors have always provided assistance to individuals in personal financial difficulty.

Individuals in financial difficulty may also be involved in a small business – as a sole trader, as part of a partnership, or as a director or shareholder of a company. An individual's financial difficulty may be caused or exacerbated by the financial performance of their business.

Generalist financial counsellors have always been able to assist small businesses,¹ but this has not been a large part of their casework until recently. This is starting to change however with the rise in the gig economy, more people working as sole traders or setting up their own company, and many more small businesses in financial difficulty. Also, some funding specifically for small business financial counselling has begun to flow, with some specialist services commencing in Victoria and WA in 2020. This is in addition to funding provided for Rural Financial Counselling Services.²

¹ The ASIC licensing exemption relating to an Australian Financial Services Licence says that financial counselling is a service provided "predominantly for individuals". To avoid doubt, in 2020 ASIC amended the exemption to include the words "predominantly for individuals or small businesses". There was no need to make changes to the credit licence exemption as small business lending is not covered by the National Credit Code.

² Rural Financial Counselling Services receive specific funding to provide 'small business financial counselling' services. These services generally operate in rural settings, and from a different skill and professional base, albeit with some overlaps with generalist financial counsellors. Generalists are appropriately qualified and trained to deal with personal/individual financial hardship, and many have relevant skills and training to assist clients where a business is an element of the situation.

Three principles

There are three overarching principles for generalist financial counsellors assisting small business clients:

1

Assistance is provided to an individual (who may have had or still runs a small business)



2

Focus is on the debt (not on providing business advice)



3

The financial counsellor should be comfortable providing assistance, and if not, should refer the client to an appropriate service.



Separating personal and business finances

Personal finances and business finances are often intertwined when small businesses operate.

Even if kept separate, personal guarantees for business credit facilities can connect the personal situation with the business situation.

Many of a financial counsellor's skills in assisting individuals in financial difficulty are applicable in assisting small business people facing financial difficulties.

To provide initial assistance or make appropriate referrals, a financial counsellor needs to:

- Identify the structure of the business (sole trader, partnership, company or trust)



- Identify outstanding debts, and whether owed by the business or personally
- Identify any guarantees provided for credit facilities.

Assistance can be limited

A financial counsellor can assist a small business person in negotiating outstanding business debt relating to utilities, lenders, other creditors and the Australian Tax Office.



Where the business affairs are complex, a financial counsellor can assist with some issues and refer other issues to financial counsellors specialising in small business, or external experts.

Training and resources

Generalist financial counsellors can identify when small business issues arise, and whether they are able to assist, or need to refer for more specialist advice on any of these issues. They should not provide further assistance on small business issues without appropriate training.

FCA's Toolkit website has resources covering:

- The 'basics' of small business to assist financial counsellors seeking to identify relevant small business issues and providing some assistance; and
- More detailed information for financial counsellors focusing on small business clients.

These resources and training modules will continue to be developed over time.

The Small Business Debt Helpline on 1800 413 828 is available to provide secondary consultations.

Funding arrangements

Some States/Territories have provided funding specifically for financial counsellors to assist small businesses, while others have not.

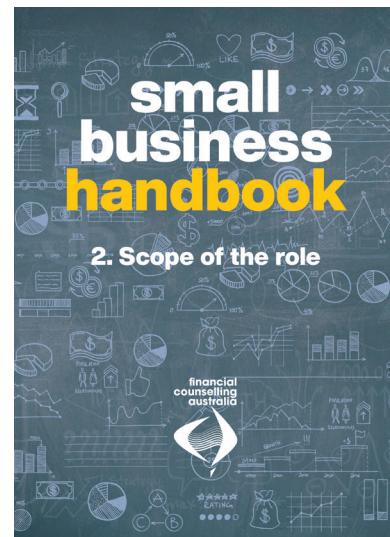


This means the level of specialised assistance to small business clients will vary nationally. However, with existing skills and some 'basic' training,

any financial counsellor should be confident understanding a small business client's issues, assisting with some debt matters, and making appropriate referrals.

Small Business Handbook

FCA is developing a reference source for financial counsellors assisting small businesses. Initial Chapters are accessible on Toolkit:
(www.toolkit.org.au)



Chapter 2 of the Handbook – Scope of the Role – provides further details about the scope of the financial counsellor's role in assisting small business clients and, importantly, explains areas where financial counsellors can and cannot assist.



www.financialcounsellingaustralia.org.au