



Early Engagement in Hardship: Lifting Capability Across the Sector

Humbli whitepaper

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August 2025

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Executive summary

Amid rising living costs, increasing household debt, and growing wealth inequality, **financial stress has in effect become the norm for an unprecedented number of Australian households**. Housing costs are also rising, outpacing average income growth, and we're seeing increasing arrears in both home loan and personal debt repayments.

We've noticed a rise in the number and variety of voices expressing concern: banks, regulators, governments, not-for-profits and consumers are all rightly stating that this is not good for our wellbeing, the health and security of our friends and family, and our economy. For financial institutions, **providing effective financial hardship support is both a social responsibility and a strategic imperative**, offering tangible benefits in customer wellbeing and trust, risk mitigation, operational efficiency, and bottom-line impact.

Providing support at the early stages of financial difficulty can improve customer outcomes while reducing service costs, improving employee engagement, and increasing positive brand sentiment. It requires moving beyond traditional reactive measures to **embrace proactive, empathetic, and empowering strategies**, and this is the approach the sector is moving towards.

However, many struggling customers hesitate to seek support from their financial institution, citing mistrust, embarrassment, and a lack of awareness of available support options. This often leads to delayed intervention and increased distress.

Executive summary (Cont.)

We at Humbli have applied our consumer empowerment model to customers who are in the early stages of financial difficulty.

We've developed an early engagement framework that **raises self-awareness, fosters psychological safety and builds practical knowledge**, empowering customers to take action before their financial situation worsens. This framework uses interactive learning that helps customers while providing financial institutions with population data that aids the continuous refinement of support strategies.

As we've implemented this framework across a range of lenders in Australia and abroad, we're noticing cross-sectoral efforts between finance, government, regulatory and not-for-profit organisations, **aiming towards a more financially resilient society** while supporting individual, commercial and economical goals. We're excited to be a part of this community, and to work with customer-centric institutions that are eager for change.

Normalising financial difficulty is important

Financial difficulty is a deeply entrenched and escalating issue, extending beyond individual economic struggle to create significant societal and systemic challenges.

A confluence of social and economic factors has amplified financial stress over the last decade, to the point where essential needs like housing, food, and utilities are becoming increasingly unaffordable.

The data points in the subsequent pages speak to the severity of the problem:

- pervasive budget pressures;
- rising household debt;
- higher arrears in loan repayments;
- declining financial optimism;
- increasing poverty rates; and
- worsening of food insecurity and mental health issues.

In short, financial difficulty is bad enough on its own, and it makes other problems much worse. This is a bleak picture, and we share it for two reasons.

Firstly, every person in our team, everyone we work with, and statistically speaking, ***everyone who reads this has a story about financial hardship***—if not their own, then that of someone close to them.

To hear their stories is to hear the voice of a society that is anxious, uncertain, and increasingly pessimistic.

Secondly, Humbli is focused on helping people in the early stages of financial difficulty to overcome any sense of shame or embarrassment and reach out to their financial institution as early as possible.

This requires us to ***de-stigmatise and normalise the pervasiveness of financial difficulty in our society***, and to encourage our readers to peruse the data and explore the problem further.

Financial difficulty: data and statistics

Financial pressure is growing, and it's hitting hardest where people can least afford it.



\$2.2 trillion USD

Total Australian household debt reached an all-time high in September 2024.¹



Only 28% Australians

Felt optimistic about their financial future in Dec 2024; 37% expect to struggle paying at least one bill in 2025.²



Every 17 Seconds

A person seeks help from The Salvation Army.³



3.7 million households

Experienced moderate to severe food insecurity in the past 12 months (2023).⁴



86% of individuals

Say money worries hurt their mental health weekly; 42% daily.⁵



30–60% higher risk

Of financial stress for victims of family, domestic, or sexual violence.⁶



22–32% of indigenous Australians

Are food insecure compared to 4–13% of general population.⁷

Financial difficulty: data and statistics (Cont.)

Behind these numbers are long-term trends, widening inequality, and systemic risks.



Enquiries to the National Debt Helpline

Have increased by more than 35% since 2022.⁸



Average household liabilities up

\$189,500 in 2017–18 up to \$203,800 in 2019–20, with (75%) Australian households carrying debt.⁹



Non-performing loans

1.1% overall, 0.8% housing loans overdue by 90+ days (long-term upward trend).¹⁰



Poverty rate

Has been steadily increasing over the last 20 years, to the point where 1 in 7 Australians are experiencing poverty.¹¹



Migrants

Have a higher risk of poverty, particularly those who do not speak English at home.¹²



30-40% of humanitarian migrants

Experienced financial hardship in each year of a 10-year study.¹³



NAB Wellbeing Index

Fell to an equal survey low, comparable to pandemic lockdown levels, in Q4 2024.¹⁴

Why the finance sector needs to respond

The previous section outlines a shared societal problem that no individual or institution can fix in isolation. However, there are ways the finance sector can, and does, help.

Banks and credit providers have the data to identify struggling customers, the mechanisms to provide support, and strong incentives to do so well.

During our engagement with banks and credit providers, we've come across several who are aware of the problem. Moreover, these financial institutions know that helping Australians become more financially aware, independent and resilient creates a mutually beneficial uplift for consumers and financial institutions.

The commercial case for effective hardship support is compelling when looking at both the risks and the benefits.

Mitigating the risks

While the Australian financial system demonstrates resilience at a systemic level, more protracted financial stress poses significant risks and costs for banks, lenders, and credit providers, such as:

- **Increased loan losses.** The share of “non-performing loans” has been rising in recent years¹, and although currently low, a severe unemployment shock could increase loan losses by pushing more households and businesses into stress, and lead to capital cost impacts.
- **Fewer home loan customers.** With housing affordability deteriorating over recent years, and the average time required to save for a home deposit increasing year on year², there is concern that the recent decline in home lending³ suggests an emerging trend.
- **Operational inefficiencies.** Managing defaults, collections, and legal proceedings is costly and time-consuming. The handling of hardship assistance requests has also become a source of increased complaints from home loan customers⁴.
- **Reputational damage:** The perception of the finance sector as being unsupportive during times of crisis can erode public trust and brand loyalty⁵.
- **Regulatory scrutiny:** Partly in response to the rise in complaints involving financial difficulty, regulators are increasingly focused on how financial institutions manage customer hardship, with evolving expectations for transparent and effective support⁶.

Realising the benefits: a case study

Proactive support acts as a crucial preventative measure against future financial instability. By helping customers avoid default and seek support—particularly in the early stages of financial difficulty—financial institutions actively protect their own asset quality and the broader financial system from potential future shocks.

In 2020 the Shared Value Project published a case study of National Australia Bank's NAB Assist program to demonstrate this logic⁷.

It chronicles the changes that NAB Assist (in partnership with Uniting Care) made to the hardship support process, and outlined the progress they made from 2013 (when the project started) through to 2020.

The benefits of this proactive hardship support initiative included:

- Avoiding more than \$70 million in lost collections revenue each year
- 1 in 5 customers seeking assistance before missing a payment
- Improving NAB Assist's Net Promoter Score (NPS) from +1 in 2013 to +73 in 2020
- Almost \$1 million savings in annual complaints processing costs
- A 25% improvement to employee engagement

There are more benefits outlined in the case study, and we recommend reading it in-depth. It shows that ***empathetic and effective support is an investment, not a cost***, improving customer satisfaction, leading directly to enhanced loyalty, reduced churn, and positive brand advocacy.

However, the benefits for both customers and credit providers are limited by the propensity for customers to reach out for support early. Understanding why they don't is important to understanding how we can empower those customers to do so.

What holds customers back from reaching out early?

The value to customers of improved financial hardship support from financial institutions depends on their willingness to engage with support teams. The earlier they reach out, the more options they typically have.

Unfortunately, customers do not seem willing to do so. ASIC's 2024 survey⁸, conducted to understand the extent and experience of financial hardship, found that many customers would rather sell their belongings and assets (42%), or get a second job (40%), before applying for hardship assistance.

The barriers that hold customers back from seeking assistance include:

- **Embarrassment and fear of judgment.** Many are "reluctant to reveal their whole socio-economic hardship situation due to embarrassment".
- **Lack of awareness.** More than half (55%) of surveyed customers were "not aware that they are entitled to ask their bank or lender for financial hardship assistance".
- **Fear of negative consequences.** 50% of those who will not seek assistance worry it will cost them more in the long run, and 32% fear it will negatively impact their credit scores.
- **Distrust and perceived complexity.** Customers may not know which sources to trust, or believe their financial institution "wouldn't do much to help". These customers also report that the process can feel "daunting, confusing, and challenging".

What holds customers back from reaching out early? (Cont.)

Their concerns are not completely unjustified. ASIC's report⁹ into the shortcomings of hardship support across the finance sector indicates that, even when customers do reach out, they often don't get the help they need, experiencing:

- **High dropout rates.** 35% of customers dropped out of the hardship process due to "unnecessary barriers hindering customers from obtaining assistance".
- **Lenders falling short.** ASIC found that some lenders were "not doing enough to support customers experiencing financial hardship," often ignoring notices, making assessment processes difficult, and failing to communicate effectively.
- **Inconsistent and misleading information:** Some lenders provided inadequate or inconsistent information, suggesting hardship assistance was only for specific life events, or failing to explain the impact on credit reports clearly.

Our model for consumer empowerment¹⁰ has been demonstrably effective at developing self-efficacy in consumers and deepening relationships between businesses and their customers. This approach to learning is ideal for customers with financial difficulty, where confidence and trust are essential ingredients to finding the right solution.

As financial institutions improve the support they offer, Humbli can help customers **overcome the psychological barriers and knowledge gaps** that hold them back from accessing critical support.

Empowering customers to seek help sooner

The early engagement framework we've developed addresses the dual needs that are consistent among customers in financial difficulty: psychological safety and practical knowledge of how the system works.

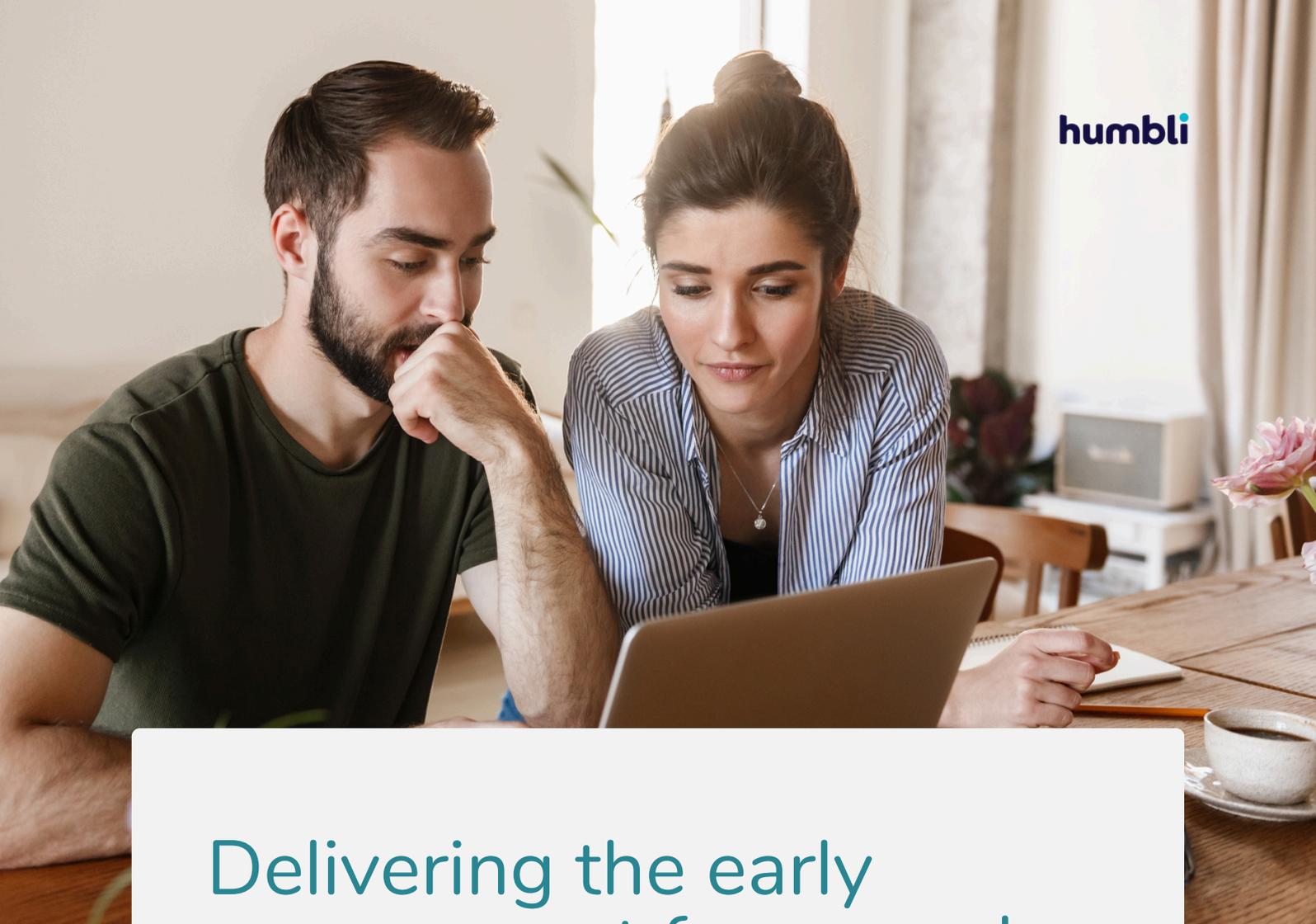
Consumer Empowerment Objectives: Creating Psychological Safety

- Develop customers' **self-awareness** of their financial situation
- Reduce the **shame and stigma** associated with financial difficulty
- Introduce realistic **optimism** about seeking assistance
- Encourage acting with **urgency**
- Acknowledge the need to rekindle **trust** with customers
- Reassure customers that simply starting a conversation with their financial institution carries **no risk** to their financial position

Consumer Empowerment Objectives: Building Practical Knowledge

- Help customers **self-assess** their support needs based on their financial situation
- Outline ways to **navigate options** for support in complex life circumstances
- Describe the short- and long-term **outcomes** of financial assistance
- Clarify the **impact** of financial assistance in credit reporting
- Show customers **how to request** hardship support
- Explain **how hardship support works** before, during and after the support plan has been enacted

Helping customers identify and address their needs empowers them to **reframe their perspective about seeking support**. This is highly valuable for customers in the early stages of financial difficulty, as solutions are often easier to implement and maintain, increasing the benefits to customers and credit providers that we've previously discussed.



Delivering the early engagement framework

The early engagement framework addresses these two sets of needs through **brief, interactive learning moments** embedded within a financial institution's digital customer journey.

These learning moments communicate a key insight using **reflective questioning techniques**. The intention is to help the customer become aware of their financial situation and their options, and gain the confidence to reach out to their credit provider.

Interactive questioning helps the customer to derive deeper meaning from the experience, while the **aggregated, anonymised interaction data** improves understanding of customer needs.

The early engagement framework is being implemented with lenders both in Australia and abroad, supporting customers and providing valuable insights that can be used to **refine financial hardship assistance** across the sector.

What's next: better support together

We've set out to provide a piece of the puzzle, helping consumers in financial difficulty to empower themselves with critical insights, navigate their financial lives with confidence, and build trust in their financial institutions.

Ultimately, effective and sustainable solutions require a collaborative ecosystem where all stakeholders work in concert. Here are just a few examples of the networks that already exist to improve outcomes for everyday Australians:

- **The Thriving Communities Partnership** is a cross-sector collaboration ensuring fair access to essential services (utilities, financial, telco, transport) for vulnerable individuals, with members committing to policies and practices for tangible change, such as their One Stop One Story Hub¹.
- **The Department of Social Services** Financial Wellbeing and Capability Activity funds community organisations to deliver comprehensive services, including emergency relief, financial counselling, and financial education, with new grants totalling around \$150 million per year from 2025–26².
- **The Ecstra Foundation** partners with organisations, schools, and communities to address structural barriers to financial inclusion. Their flagship financial education program, “Money Talk”, reached 128,779 school students in 2024³.
- **Good Shepherd** is a not-for-profit that has partnered with the federal government and financial institutions to deliver no-interest loans (NILs) for women and families facing financial hardship; of note is the partnership with NAB, delivering \$560 million in NILs over 21 years⁴.

As we've mentioned, consumers often lack awareness of hardship support options, and at Humbli, we've found that a lot of service providers are also unaware of the breadth of support providers in Australia. ***What could be achieved if that were to change?***

What's next: better support together (Cont.)

The potential for a robust community of practice is there, and if developed and nurtured, such a community could foster collaboration, shared learning, and systemic change, by:

- ***Building trust and reducing stigma.*** Humbli's early engagement framework can demonstrate to customers that a coordinated support effort exists, which can help reduce the stigma associated with financial difficulty, encouraging earlier help-seeking.
- ***Sharing data and insights.*** Ethical sharing of anonymised data and insights from our interactive learning experiences can inform the community of hardship trends, effective interventions, and emerging vulnerabilities. This collective intelligence can inform better policy, product design, and service delivery across all sectors.
- ***Optimising hardship support:*** Identifying and sharing best practices for hardship support across different sectors (e.g., superannuation, utilities, brokers, local governments, etc.) can help institutions tailor support to individual customer needs, avoiding "one-size-fits-all" solutions that might inadvertently worsen a customer's situation, and optimising outcomes for both customers and lenders.
- ***Creating seamless referral pathways.*** We can help identify opportunities for institutions to create clear and easy referral pathways between banks, financial counsellors, mental health services, and other community support, ensuring customers receive comprehensive care without falling through the cracks.
- ***Enabling joint program development.*** A unified voice from industry, government, and not-for-profit organisations can collectively advocate for policy changes and program design that address the root causes of financial hardship.

There is significant benefit to all parties of sharing information and developing strategies for building a financially resilient society, and so we encourage all organisations who see the potential in a community of practice to learn from and support each other.

As challenging as the problem is, there is ample reason to be optimistic and more than enough motivation to be engaged.

About Humpli

From the very beginning, our mission has been to help organisations build stronger, more meaningful connections with their customers, especially in pivotal moments. We believe that by integrating learning into the customer journey, every interaction becomes an opportunity to build clarity, trust, and long-term value.

Today, we work with a diverse range of companies, in Australia and internationally, to support critical customer decisions through innovative, insight-led learning experiences.

As Humpli has grown, so has our team. We've brought together experts in education, consumer psychology, CX and UX design, and AI, all committed to reshaping how businesses engage in moments that matter. Our appetite for innovation keeps us at the forefront of industry trends, developing new ways to empower customers and help organisations respond with greater confidence and care.

For questions or enquiries, please contact us at hello@humpli.com.au.

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