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REDESIGNING VET FEE-HELP

Submission to the Federal Government

ABOUT US

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INTRODUCTION

CHOICE thanks the Minister for Vocational Education and Skills for providing stakeholders with the opportunity to comment on the role of VET FEE-HELP in Vocational Education and Training (VET).

CHOICE acknowledges that changes to the *Higher Education Support Amendment (VET FEE-HELP Reform) Act 2015*¹ have improved consumers' experiences of VET FEE-HELP. However, there is still room for further reform.

There is a lack of transparency and quality control in the VET sector. Aggressive marketing tactics, poor access to information, and misleading claims are rife. This has been detrimental to consumers, particularly vulnerable consumers.

In 2007, the introduction of an income-contingent government loan scheme (VET FEE-HELP) in the VET sector aimed to open up training to a competitive market. The intent was to create more choice for students, drive innovation and boost participation in the sector. In 2012, the Federal Government removed the requirement for VET FEE-HELP courses to have credit transfer arrangements with universities. Credit-transfer arrangements gave a certain quality assurance to prospective students. As a result, a much larger number of private institutions were able to access government funding and consumers had fewer guarantees of the quality of a course.

An increasing volume of enrolments has since driven growth in the sector, at the expense of course quality. Competition has not improved the sector for consumers. Many students now have large VET FEE-HELP loans and meaningless or incomplete qualifications. Competition has also seen the rise of aggressive sales and marketing of courses. Brokers enrolled vulnerable students in courses they had little chance of completing and students were left with incomplete qualifications and large debts to the government.

Students need better protections against these practices. Consumers need better regulation, improved quality of education and better access to information in this sector. A strong VET sector should also include robust, formal redress mechanisms for students, including an ombudsman to assist with complaints.

¹ See: <https://www.education.gov.au/vet-fee-help-reforms>

Recommendations

- Consumers should be provided with clear and simple standardised information sheets (in print or in soft copy via email) when they enquire, or enrol in, a specific course covered under the VET FEE-HELP program.
- The Standard for Registered Training Organisations (RTOs) 2015 should be amended to require course providers to provide consumers with information about:
 - Average total course costs across the sector
 - Course completion rates
 - Minimum hours required to complete a course (to replace “estimated duration” in the current standard)
 - Any other relevant components that may help or hinder student course completion, such online and offline support
- The Federal Government should explore the potential of including further information in the Standard:
 - Expected median earnings for entry-level (first year) and early career roles (e.g. fifth year) in the sector for which the qualification is being undertaken. This would give students a realistic sense of likely earnings following successful completion of a qualification and subsequent employment, along with a sense of potential career progression.
 - The average number of years before a consumer will start to incur VET FEE-HELP repayments based on the above information, and the amount of these repayments.
 - Expected time taken to complete payment of the VET FEE-HELP loan based on the above information.
- The Federal Government should investigate the potential to collect and aggregate data to allow third parties to develop independent, unbiased course and institution comparison tools that will help students make informed choices in the sector.
- The Australian Skills Quality Authority should be given increased powers, including enhanced enforcement powers to ensure brokers and private training providers act in compliance with the RTO Standard and the Australian Consumer Law where applicable.
- The RTO Standard and *VET Guidelines 2013* should be amended to include a general prohibition against misleading and deceptive conduct.
- A dedicated ombudsman service should be established to resolve disputes between students and private VET providers.
- The ombudsman service should be reviewed after one and three years.

- Funding should be released to VET providers in stages, with gateways contingent on student engagement, progression or completion of key units.
- The tuition assurance scheme should remain in place for students in the private VET sector.

1. Protecting students

- *How could existing information resources be improved to ensure greater access to information for VET FEE-HELP students?*
- *Should VET FEE-HELP providers have an obligation to provide information in a consistent form about the scheme to students?*

Information and advertising for consumers about VET FEE-HELP funded courses can be poor, and at its worst, misleading.

Currently, prospective students are subjected to aggressive sales tactics and sometimes misleading and deceptive marketing claims that are designed only to increase the volume of enrolments. Claims have included:

- Overstating employment outcomes
- Telling prospective students loans are “free” or won’t have to be paid back
- Inducements, such as laptops and iPads²

A lack of scrutiny and the targeting of disadvantaged students have led to a proliferation of unscrupulous tactics such as offering expensive inducements at the time of enrolment and subjecting students to high pressure sales tactics when attempting to withdraw from a course before government census dates. These tactics are discussed in detail below.

Simple and clear information for prospective students

Course information should be standardised across the VET sector so students inquiring with multiple institutions can easily compare courses across the sector and make an informed choice.

Information provided to prospective and enrolled students should be aggregated into a simple and clear format which can be easily accessed. Data that is spread across different websites should be aggregated and made available to students in an online or simplified offline form. The Standard for Registered Training Organisations (RTOs) 2015 (the Standard) currently requires the following information to be provided to students at the time of enrolment or commencement of learning³:

² See Senate Standing Committees on Education and Employment, *The Operation, regulation and funding of private vocational education and training (VET) providers in Australia*.

5.2. Prior to enrolment or the commencement of training and assessment, whichever comes first, the RTO provides, in print or through referral to an electronic copy, current and accurate information that enables the learner to make informed decisions about undertaking training with the RTO and at a minimum includes the following content:

- a. the code, title and currency of the training product to which the learner is to be enrolled, as published on the National Register;
- b. the training and assessment, and related educational and support services the RTO will provide to the learner including the:
 - i. estimated duration;
 - ii. expected locations at which it will be provided;
 - iii. expected modes of delivery;
 - iv. name and contact details of any third party that will provide training and/or assessment, and related educational and support services to the learner on the RTO's behalf; and
 - v. any work placement arrangements.

Additional information should be included so consumers can make an informed choice of provider. CHOICE recommends that the following requirements are included in section 5.2(b) of the Standard:

- Average total course cost across the sector
- Course completion rates
- Minimum hours required to complete a course (to replace “estimated duration” in the current standard)⁴
- Any other relevant components that may help or hinder student course completion, such online and offline support.

The Federal Government should also explore the potential of including further industry specific information on VET FEE-HELP loans and wages to the consumer. This will provide a signal of the cost and impact of the loan on a consumer over their lifetime. This will help counter inflated wages claims made by private colleges who downplay the impact of VET FEE-HELP loans.

³ Standards for Registered Training Organisations (RTOs) 2015, Section 5.2. <https://www.legislation.gov.au/Details/F2014L01377>

⁴ See: [http://www.asqa.gov.au/about/australias-vet-sector/standards-for-registered-training-organisations-\(rtos\)-2015.html](http://www.asqa.gov.au/about/australias-vet-sector/standards-for-registered-training-organisations-(rtos)-2015.html). Many RTOs have exaggerated the minimum time taken to complete a course (e.g. complete in two months) without specific reference to the minimum number of hours required to complete that course.

The Federal Government could consider including:

- Expected median earnings for entry-level (first year) and early career roles (e.g. fifth year) in the sector for which the qualification is being undertaken. This would give students a realistic sense of likely earnings following successful completion of a qualification and subsequent employment, along with a sense of potential career progression.
- The average number of years before a consumer will start to incur VET FEE-HELP repayments based on the above information, and the amount of these repayments.
- Expected time taken to complete payment of the VET FEE-HELP loan based on the above information.

Prospective students should be provided this information in writing at the time of initial contact with an educational institution, broker or agent. The current standard states:

“5.2. Prior to the enrolment or the commencement of training and assessment, whichever comes first, the RTO provides, in print or **through referral to an electronic copy**, current and accurate information the enables to the learners to make informed decisions about undertaking training with the RTO and at a minimum includes the following content...”⁵

Changes to Standard 5.2 are needed so that information is provided to consumers prior to enrolling in a course. “Referral to an electronic copy” is a vague term that may be allowing brokers to fulfil their obligations without students adequately understanding the nature of training being offered. The standard should be changed to remove this loophole and require that students receive a hard copy of information if enquiring in person and a soft copy of information if enquiring over the phone or online.

A student should not be directed to a website to seek further information in lieu of a provider disclosing the relevant course information.

⁵ See: [http://www.asqa.gov.au/about/australias-vet-sector/standards-for-registered-training-organisations-\(rtos\)-2015.html](http://www.asqa.gov.au/about/australias-vet-sector/standards-for-registered-training-organisations-(rtos)-2015.html)

Accessing independent and unbiased course and institution data

Data about courses should be accessible and available to third parties to create comparison tools. A free, independent and accessible comparison site that does not accept commissions or act as a broker for institutions would assist students in finding and enrolling in appropriate courses and would bypass the need for students to negotiate high-pressure sales tactics when engaging in the enrolment process in the VET sector.

Recommendations:

- Clear and simple standardised information sheets are provided to consumers (in print or in soft copy via email) enquiring, or enrolling in, a specific course covered under the VET FEE-HELP program.
- The Standard for Registered Training Organisations (RTOs) 2015 is amended to require course providers to provide consumers with information about:
 - Average total course cost across sector
 - Course completion rates
 - Minimum hours required to complete a course (to replace “estimated duration” in the current standard)
 - Any other relevant components that may help or hinder student course completion, such online and offline support.
- The Government explore the potential of including further information in the Standard:
 - Expected median earnings for the first and fifth years of employment based on industry awards or minimum expected wage for the qualification being undertaken.
 - The first year a consumer will start to incur VET FEE-HELP repayments based on the above information.
 - Expected time taken to complete payment of the VET FEE-HELP loan based on the above information.
- The Federal Government investigates the potential to collect and aggregate data to allow third parties to develop independent, unbiased course and institution comparison tools that will help students make informed choices in the sector.

2. The role of brokers and agents

- *Is there a role for an agent, or an intermediary, to assist students to make a choice regarding a course and provider?*

- *If so, how should such an agent be regulated to ensure the interest of the students are paramount, rather than the interests of providers?*

Brokers and sales agents selling VET FEE-HELP courses have acted in the interests of for-profit private providers, and not the students enrolling in courses.⁶

Tactics designed to enrol the maximum number of students into a course, with no regard to a student's ability to complete a course, have meant that thousands of people have been left with unfinished qualifications and large debts.

Such tactics, as reported at length in submissions to the 2015 Senate Inquiry (The operation, regulation and funding of private vocational education and training (VET) providers in Australia), include:

- Inducements, such as laptops and iPad;
- Signing up students for VET FEE-HELP funded courses at shopping centres and outside Centrelink offices;
- Operating job advertisement boards as a tool for student recruitment; and
- Unclear or misleading instructions on how to withdraw before census or cooling off dates.⁷

These sales practices are harmful to consumers of VET services. There must be considerable changes to the role of brokers and agents in the private VET sector.

Enforcement measures

Enforcement is currently handled by the ACCC, which has successfully brought a number of private training providers to the federal court and issued enforceable undertakings. Determinations have found multiple providers engaged in unconscionable conduct and made false and misleading representations to consumers.⁸

⁶ Senate Standing Committees on Education and Employment, *The Operation, regulation and funding of private vocational education and training (VET) providers in Australia*, Section 3.15.

⁷ For more information, see Consumer Action Law Centre, Submission 13.

⁸ Senate Standing Committees on Education and Employment, *The Operation, regulation and funding of private vocational education and training (VET) providers in Australia*

Case study: Careers Australia Group Limited

Careers Australia conducted door-to-door marketing and made false or misleading representations and engaged in unconscionable conduct across Australia. The provider represented to students that courses would lead directly to employment or would increase a student’s chance of finding employment. Inducements were also offered to students, such as iPads and laptops, claiming that they were provided free with the course. Consumers were not made aware of the VET FEE-HELP debt they would incur at the time of the sale.

The ACCC issued Careers Australia with a court enforceable undertaking requiring Careers Australia to allow and inform misled students to cancel their enrolment and have their debt cancelled as well as implementing an Australian Consumer Law Compliance Program.

This follows action against four other private colleges: AIPE, Empower Institute, Phoenix and Unique International College.

Submissions to the 2015 Senate inquiry from the Consumer Action Law Centre, ACTU, AEU and other advocacy bodies suggested expanding the jurisdiction of the Australian Skills and Quality Authority (ASQA), including the ability for ASQA to impose penalties without referring issues to the ACCC. CHOICE supports these recommendations.

CHOICE also supports a general prohibition in the RTO Standard against misleading and deceptive conduct to give greater guidance to providers in the VET sector. An explicit prohibition against misleading conduct in the Standard would help ASQA and other related bodies to take quick and efficient action against providers engaging in unscrupulous behaviour. New powers would be particularly helpful in preventing mass enrolment of students to VET FEE-HELP courses.

Recommendations:

- Increase the powers of ASQA, including enhanced enforcement powers to ensure brokers and private training providers act in compliance with the RTO Standard and the Australian Consumer Law where applicable.
- Amend the RTO Standard and *VET Guidelines 2013* to include a general prohibition against misleading and deceptive conduct.

3. VET Ombudsman

- *Would a VET FEE-HELP ombudsman help address student complaints and issues?*
- *Should such an ombudsman be time limited?*

The creation of a VET FEE-HELP ombudsman would streamline the complaints process in the VET sector. While a dispute-resolution mechanism is available for international students (through the Commonwealth's Overseas Students Ombudsman), no complaint resolution mechanism exists for domestic students. Given the significant number of problems in the sector, a national ombudsman is needed to assist students in resolving complaints.

The ombudsman service should be subject to a public review one and then three years after its establishment to ensure it meets the needs of students and the sector more broadly.

Recommendations:

- A dedicated ombudsman service should be established to resolve disputes between students and private VET providers.
- The ombudsman service should be reviewed after one and three years

4. Regulating providers and managing the system

- *Should access to VET FEE-HELP loans include a requirement for students to be engaged in their training and working towards completion?*
- *How could student engagement, progression or completion be measured and tracked?*
- *Should providers be required to meet minimum specified course completion or progression rates?*
- *Should higher quality standard be applied to RTOs seeking to provide VET FEE-HELP?*
- *What additional standards should be considered when granting VET FEE-HELP provider status?*

Students who withdraw from or only complete small portions of course offerings are left with large debts for the whole cost of a course without qualifications equal to the level of debt.

Funding should be released to VET course providers in stages to ensure that students are not paying for services they do not receive or do not intend to access, such as a full diploma when

they have only partially completed a course. This would bring funding into line with the university HECS funding system.

Breaking up loan payments into smaller portions would ultimately provide better protection for students who are currently incurring debt that does not reflect the services and products received. Students should never be required to pay for an entire course upfront without a clear guarantee that they can be fully reimbursed for course components not attempted.

Recommendation:

- Funding should be released to VET providers in stages, with gateways contingent on student engagement, progression or completion of key units.

Tuition assurance

- *What tuition assurance arrangements are necessary in a redesigned scheme?*
- *How can the tuition assurance arrangements be more responsive to direct regulation?*

Tuition assurance acts as protection for consumers in both the public and private VET sectors. It is a critical component of VET FEE-HELP.

Changes to the VET FEE-HELP scheme, including any changes to the way tuition is charged (incrementally, as opposed to the current full-fee, upfront payment method) should not undermine the need for protection for students who are the victims of unexpected provider closures or course changes.

Recommendation:

- The tuition assurance scheme should remain in place for students in the private VET sector.