



**Inquiry into the design, scope, cost-benefit analysis,  
contracts awarded and implementation associated with  
the Better Management of the Social Welfare System  
initiative**

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Senate Standing Committees on Community Affairs  
PO Box 6100  
Parliament House  
Canberra ACT 2600

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

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## **1 INTRODUCTION**

### **1.1 About Financial Counselling Australia**

FCA is the peak body for financial counsellors in Australia. We support financial counsellors and provide a voice on national issues. We advocate on behalf of the clients of financial counsellors for a fairer marketplace that will prevent financial problems in the first place.

### **1.2 What Financial Counsellors Do**

Financial counsellors provide information, support and advocacy to people experiencing financial difficulty. Working in community organisations, their services are free, independent and confidential. Financial counsellors are required to hold, or to obtain, a Diploma in Financial Counselling. They need knowledge of a wide range of areas of law and policy, including consumer credit law, debt enforcement practices, the bankruptcy regime, industry hardship policies and government concession frameworks.

Financial counsellors also document their experiences and highlight issues that have a negative impact on their clients. Either individually, or through FCA, they consult with industry, government and other stakeholders and to encourage practices that prevent financial and consumer problems in the first place.

The main causes of financial difficulty are unemployment, illness and relationship breakdown. Financial counsellors also assist many people trying to make ends meet on very low incomes, including those receiving Centrelink payments.

### **1.3 About This Submission**

Financial Counselling Australia is pleased to provide a response to the inquiry into the design, scope, cost-benefit analysis, contracts awarded and implementation associated with the “Better Management of the Social Welfare System” initiative. Our submission is based on the casework experience of financial counsellors and focuses on the impact on Centrelink recipients of the recent changes to Centrelink’s debt collection processes as well as long-standing problems with Australia’s social security system.

## 2 INQUIRY TERMS OF REFERENCE

Financial counsellors are frequently frustrated with the way in which Centrelink operates, with the best example, long wait times on the telephone. Along with our colleagues across the community sector, we are also deeply concerned about the inadequate levels of Centrelink payments, such as the NewStart Allowance.<sup>1</sup> Problems with the new data-matching initiative are therefore compounded by these serious pre-existing issues with Centrelink.

### 2.1 Impact on People (a)

- a. the impact of Government automated debt collection processes upon the aged, families with young children, students, people with disability and jobseekers and any others affected by the process

Financial counsellors tell us that Centrelink recipients impacted by the data-matching initiative are confused, frustrated and highly anxious about why the government believes they misreported their income and now owe money. As these people are often in difficult places in their lives anyway—being unemployed, ill, aged or raising children alone—adding an additional and unnecessary layer of compliance to receiving support payments feels not only very unfair as many of them ‘did everything right’ initially, but adds to the helplessness of being dependent on social security income in the first place.

One client advised a counsellor that: “It feels like I always have to look over my shoulder, you know? Like they always want to get me, even though I know I reported my earnings.”

The six-year limit for the data-matching process is a long time period, making it difficult for people to find the necessary information to dispute a debt. We are concerned that many people will end up having to make repayments while their debt is in dispute.

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<sup>1</sup> *Budget Must Not Forget the Unemployed: 83% don't have enough to live on*, ACOSS, May 9, 2015, [http://www.acoss.org.au/media\\_release/budget\\_must\\_not\\_forget\\_the\\_unemployed\\_83\\_dont\\_have\\_enough\\_to\\_live\\_on/](http://www.acoss.org.au/media_release/budget_must_not_forget_the_unemployed_83_dont_have_enough_to_live_on/), accessed March 21, 2017

## The Default 15% Deduction

When the Centrelink system identifies a debt for a person currently in receipt of Centrelink payments, this triggers automatic deductions of 15% of that person's pension or income support as repayment. As people in receipt of Centrelink benefits typically already live below the breadline, 15% of income support can mean the difference between being able to afford essentials or needing rent/food relief from an emergency relief provider.

Job-seeking is also expensive and inevitably means additional travel costs, many phone calls, dry-cleaning costs for interview clothes, and additional child-care. Taking any money away from job-seekers makes it harder for them to secure the employment they need.

As a practical example, the median rent in Sydney's cheapest suburb is \$310 per week or \$620 per fortnight.<sup>2</sup> The current Newstart allowance for a single person, plus rent assistance comes to a total of \$668 per fortnight- a 15% deduction (\$99) is the difference between a recipient being able to afford their rent for the fortnight or not. It is simply too high.

To vary this payment to a more affordable amount, recipients must either be registered with MyGov (and many recipients, especially the most vulnerable are not), or they must wait on hold to Centrelink call centre staff for up to 90 minutes at a time. Financial counsellors report that Centrelink recipients often present to financial counselling agencies unaware that they had an option to vary the payment to a lower and more affordable amount.

Because of the data-matching initiative, there are currently many people who are legitimately disputing their debts, causing long wait-times and more difficulty in accessing variations. An appropriate concession to recipients in this time of increased demand would be to revise the default deduction rate to more manageable levels.

**The default deduction rate for debts is too high at 15% and should be no more than 5% of income support payments or pensions.**

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<sup>2</sup> *Bottom of Sydney's Rental Market Almost Level with Prices in the middle of Melbourne's Market*, Realestate.com.au, Devine, A., Nov 21, 2016, <http://www.realestate.com.au/news/bottom-of-sydneys-rental-market-almost-level-with-prices-in-the-middle-of-melbournes-market/>, accessed March 21, 2017

## 2.2 Adequacy of Complaint and Review Processes (d)

- d. the adequacy of Centrelink complaint and review processes, including advice or direction given to Centrelink staff regarding the management of customer queries or complaints

When Centrelink identifies a potential overpayment under s 1223 of the Social Security Act 1991, they are entitled to collect this potential debt until it is proven that the debt is not owed. Recipients are only given 21 days to dispute this finding before automatic deductions are instituted. This is the case *even if Centrelink recipients are actively disputing the debt*.

There is no legislation that dictates how quickly a dispute must be investigated and settled—this can lead to very long dispute processes of many months, especially in light of the large flood of disputes<sup>3</sup> that Centrelink is expecting in the wake of the data-matching initiative.

Given that financial counsellors are reporting that Centrelink is currently taking longer than 21 days to assess basic debt disputes, recipients can be forced to make debt repayments they can already ill-afford on a debt they are disputing. This is particularly concerning given the current spotlight on a large number of incorrect debts raised as part of the data-matching initiative with the ATO, and the possibility that these debts are incorrect.

The six-year review period on automatically identified debts means that recipients or debt-holders only have 21 days to dig up records which are up to six years old. This could mean tracking down and asking for proof of employment from business which may no longer exist or retrieving staff records from companies which may have already archived them. A time period of 21 days is woefully inadequate and inappropriately penalizes Centrelink recipients who did the right thing in reporting their income in the first place, not only by forcing them dig up and *re-report* correctly reported income, but also by requiring them to make repayments on disputed debts during the process.

This Centrelink dispute process puts unfair and strict timelines on recipients whilst markedly *not* observing those same guidelines itself.

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<sup>3</sup> *Centrelink's Debt: 230,000 have now been hit*, Canberra Times, Towell, N., Jan 13, 2017, <http://www.canberratimes.com.au/national/public-service/centrelinks-debt-230000-have-now-been-hit-20170110-gtp8zt.html>, accessed March 21, 2017

**Centrelink recipients who Centrelink identify as owing a debt should not be required to make debt repayments if disputing that debt. Timelines for dispute processes should be increased to at least 45 days to allow people enough time to provide evidence to support their dispute. Similarly, Centrelink should investigate and settle matters within a set period of time no longer than that provided to debtors to provide evidence.**

In addition to the requirement to pay debts while they are disputed, the current escalation model is a barrier to Centrelink recipients disputing debts.

Currently, if a debt is confirmed as correct by an Authorised Review Officer, a recipient who disagrees with this decision must lodge a dispute with the Administrative Appeals Tribunal.

The Consumer Action Law Centre noted in a recent report that many Australians find tribunals intimidating and inaccessible.<sup>4</sup> It is not surprising therefore that financial counsellors report that some Centrelink recipients choose to pay unfair debts as a means of avoiding the dispute process, or because they find the rigid and lengthy dispute process bureaucratic and intimidating. This represents a colossal failure of process given that according to Graham Wells, principal lawyer at Social Security Rights Victoria, 90% of debts that are brought before the ATT have some evidence of Centrelink error.<sup>5</sup>

**The dispute process for Centrelink needs to be reviewed to make it more accessible for claimants—in particular, intimidating tribunals need to be a path of absolute last resort.**

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<sup>4</sup> CameronRalph Navigator, *Review of Tenants' and Consumers' Experience of Victorian Civil and Administrative Tribunal*, 2016, prepared for the Consumer Action Law Centre, <http://consumeraction.org.au/review-tenants-consumers-experience-victorian-civil-administrative-tribunal/>

<sup>5</sup> How to Dispute a Centrelink Debt, cricky.com.au, Whyte, S., Dec 16, 2016, <https://www.crikey.com.au/2016/12/21/how-to-dispute-a-centrelink-debt/>, accessed March 21, 2017

## 2.3 Other related matters (k)

k. any other related matters.

### **The inadequacy of Centrelink's financial hardship options**

Financial counsellors interact with many industries in negotiating payment arrangements for their clients, including the banks, telcos, utilities, the ATO and Centreline. They therefore have an in depth understanding of debt collection processes and are well placed to compare them. Centrelink, by far, is the most inflexible organisation of all. Many other industries such as the banking and finance industry and the energy sector have flexible, compassionate and appropriate financial hardship frameworks that protect Australians.

For example, accessing a 'payment moratorium' for a Centrelink debt repayment (called a 'write off' in section 1236(1A)(b)) is a lengthy and difficult process. According to the Welfare Rights and Advocacy Service, it is 'very rare' to have debt repayment deferred due to these provisions.<sup>6</sup> Given the high rate of Centrelink recipients in housing stress,<sup>7</sup> and that people on Centrelink struggle to buy food and to keep utilities and telecommunications services connected,<sup>8</sup> it is essential that Centrelink institute financial hardship policies that protect recipients who would lose housing, utilities, access to food, transport and medical services if required to make repayments on their debts.

**Centrelink financial hardship policies and processes need to be re-written to reflect best practice.**

<sup>6</sup> *Debts – what to do if you have a Centrelink debt*, Welfare Rights and Advocacy Service, May 2015, <http://www.wraswa.org.au/wp-content/uploads/2015/06/Debts-28.05.15-Final.pdf>, accessed March 21, 2017

<sup>7</sup> *The Impact of Rent Assistance on Housing Affordability for Low-Income Renters: Australia*, National Welfare Rights Network, <http://tutas.org.au/wp-content/uploads/2014/04/NWRN-Rent-Assistance-Report.pdf>, accessed March 21, 2017

<sup>8</sup> *People on Low Incomes Struggle to Stay Connected*, Caneva, L., Nov 3, 2016, <https://probonoaustralia.com.au/news/2016/11/people-low-incomes-struggle-stay-connected/>, accessed March 21, 2017.



## **The impact of low confidence in Centrelink & the social security system**

People who consider that the system is “stacked against them” because it is inherently unfair or biased are much more likely to avoid complying with it. It is in Centrelink’s best interests therefore to foster a culture of co-responsibility: where Centrelink is fair towards recipients, recipients in return are more likely to be fair towards Centrelink.

The impact of the ‘robo-debt’ data-matching problems are likely to impact on consumer confidence in Centrelink and, in turn, compliance by the community. It is therefore critically important that DSS immediately and fairly deal with all inappropriate debts, immediately and permanently stop the data-matching initiative until all concerns can be addressed, and consider measures such as apology letters for people whose debts were incorrectly raised.

It is not appropriate to punish and create additional anxiety, difficulty and barriers for many people who *have* done the right thing and *have* correctly reported simply because a percentage of the data-matching debts may be correct and may have financial yield for the federal government.