



Joint Submission from the Financial Counselling Sector
To: The Australian Government Department of Social Services
Response to the Centrepay Reform Discussion Paper
July 17, 2024

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About This Submission

This is a joint submission from the peak bodies in the financial counselling sector:

- Financial Counselling Australia
- Financial Counsellors ACT
- Financial Counsellors Association of NSW
- Financial Counsellors Association of Queensland
- Financial Counsellors Association of Tasmania
- Financial Counsellors Association of Western Australia
- Financial Counselling Victoria
- South Australian Financial Counsellors Association (also covering the NT)

Along with other consumer groups and charities, the financial counselling peak bodies have been highlighting significant issues with Centrepay for many years. The overriding concern is the harm caused by the misuse of Centrepay. There is a growing body of evidence showing the system can cause financial harm to vulnerable people.

Financial counsellors and capability workers witness the harm caused by the misuse of Centrepay first-hand and this submission relies heavily on their experiences.

While it is encouraging that the Agency recognises Centrepay is not operating as well as it should for some people and that customers need better support and protection, this must be followed by meaningful and lasting change.

If the Agency learns of businesses misusing Centrepay for commercial gain, it must take swift and firm action. The financial counselling sector often sees the damaging impact that poor practices around Centrepay have on vulnerable people. Effective monitoring and enforcement would help minimize this harm.

This submission has a series of recommendations based on the experiences of those working in our sector and answers to the questions outlined in the *Centrepay Reform Discussion Paper, May 2024*.

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 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.

What Financial Capability Workers Do

Financial capability workers provide information, money management skills and coaching to help clients make better financial decisions and build financial resilience. They work one-on-one with clients and deliver group education sessions.

Approximately 93 financial capability workers are based in remote areas and work predominantly with First Nations people. They play an important role in explaining how Centrepay impacts these communities.

Financial capability workers can support people on an ongoing basis to meet their budgeting and saving goals. They can also assist people to access hardship programs, government concessions and other services.

There is some overlap between the work of financial counsellors and capability workers. Both:

- Identify spending leaks and remedies
- Find ways to increase clients' income
- Use tools like personal money plans and budgets
- Provide referrals to other services

However, financial capability workers do not:

- Deal with debts from banks or similar providers
- Provide advice about bankruptcy, debt recovery, superannuation or insurance products.

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Summary of Recommendations

1. The household category should be refined, to ensure businesses cannot exploit these categories to sell overpriced and non-essential items
2. Businesses should be required to comprehensively assess customers' capacity to pay
3. It should be compulsory for the fields for target dates or target amounts to be completed on the Centrepay form
4. Pricing of products and services must be made very clear to the customer
5. Consumer lease providers should be limited in the amount of interest and fees they can charge Centrepay recipients
6. Wherever possible, more affordable alternatives should be used to help people purchase whitegoods instead of consumer leases (e.g. the NILS)
7. Rather than excluding certain products from the list of Centrepay-approved goods and services, the Agency should adopt and enforce strict rules of conduct for businesses
8. The Agency must conduct regular audits and closely monitor Centrepay businesses, particularly consumer lease providers
9. The mandated target amounts for household basics should be extended to include legal and professional, social and recreational, travel and transport, and some financial products
10. There should be a legal requirement for essential service providers to tell Centrepay when a client has changed providers, been disconnected or suspended their account
11. Non-essential goods and services should have a target amount and a 12-month time limit on repayments
12. It should be prohibited for businesses to encourage people to take on credit using Centrepay
13. There needs to be a straightforward way for overpayments to be refunded back to the customer
14. 25 per cent of an individual's Centrelink payments should be quarantined so it is not available for Centrepay businesses
15. There should be a percentage limit for all goods and services purchased through one-off payments, with an alert when the customer exceeds the limit
16. Information should be provided in plain language, either written or using translators
17. There should be an easier way to access deduction statements without going through MyGov, perhaps a monthly report to the client detailing the deductions
18. A copy of the purchase receipt should be made available with the deduction statements

19. Centrelink agencies must understand how Centrepay works, so they can assist and refer customers when they see a problem
20. There must be very clear processes in place when things go wrong, particularly for customers who speak English as a third or fourth language
21. There should be a designated staff member from Centrepay on the Indigenous phone line
22. Centrelink staff should undertake cultural awareness training
23. The Agency should develop an easier way to contact the Centrepay complaints department online or via phone. The complaints department must address issues in a timely manner
24. There should be a specific Centrepay contact line for advocates
25. The Agency should consult regularly with financial counsellors and other consumer advocates, to educate the sector and examine how Centrepay is working
26. Translators should be available to help customers with language barriers raise concerns
27. Businesses should be required to: provide evidence of robust financial assessments, agree to regular audits, provide goods transactions as part of the Centrepay application, and maintain fair and reasonable costs of goods and services
28. The Agency must ensure the goods and services are necessities and Centrepay businesses are being transparent
29. When assessing risk factors in businesses, the Agency should consider the targeting of specific communities, previous rule breaches, and whether they draw on more than 25 per cent of a customer's Centrelink income
30. The Agency should also ensure businesses only set up one account for customers at any one time
31. Centrepay registered businesses should be required have internal audit procedures, have a sound complaints process and be part of an EDR scheme
32. Businesses having multiple contracts with one customer should trigger engagement with the Agency
33. The Agency should also consider multiple complaints from customers about a Centrepay-approved business as a flag for further engagement, as well as any business taking more than 25 per cent of a customer's Centrelink income in payments
34. Some businesses and/or business models should never be approved for Centrepay, including debt collectors and wage advance services
35. To remain registered with Centrepay, businesses should be monitored against the outcomes of internal and external audits, and the nature of complaints against them
36. If overpayment occurs, the Centrepay registered business should promptly contact the customer, cancel the deductions, and refund the money

37. Customers should be notified about overpayments in several ways, with the understanding some may not have access to digital devices and may not understand English
38. To help customers avoid overpayments, the Agency should: make the target amount and target date fields on the Centrepay application form compulsory, develop a policy that ensures businesses do not allow accounts to be in credit, make a transaction record of payments available on the online Centrepay deduction listing
39. The Agency should continue the community of practice with advocacy sectors

Responses to the Consultation Questions

2. Policy Intent

2.1 Centrepay Objective

The Centrepay policy reform process will address several critical areas, including:

- Safeguards and protections for customers to reduce financial harm.
- Ensuring the right products and services are available through Centrepay.
- Identifying high-risk products, services and business practices that do not align with the intent of the program.
- Centrepay as a tool for customer financial empowerment and self-management.
- Requirements and obligations for businesses using Centrepay.
- Centrepay assurance framework.
- Complaint and escalation pathways for customers and third parties.

Do the critical areas for reform outlined above reflect the evolving needs of customers and stakeholders?

FCA agrees this is a good account of the areas of reform needed to protect customers and meet the needs of stakeholders.

2.2 Approved Goods and Services

Does the current list of authorised goods and services include what should be available through Centrepay?

We have several areas of concern with the current list of authorised goods and services, which are detailed below:

Household

The household category is too broad, which means businesses that offer non-essential items are included in Centrepay. Financial counsellors see businesses exploiting permissions in this category to charge exorbitant prices for non-essential items.

The household category also includes lease/hire/rent-to-buy of household goods regulated under the *National Consumer Credit Protection Act 2009* (Cth). These are deeply problematic products (see below for more information about our stance on this).

Legal and professional services

Usually, these types of services are one-off and do not need to be paid for through Centrepay. For example, an accountant or lawyer might advise a customer about a specific

issue, but it would be unlikely they could take on a financially vulnerable person as an ongoing customer as the fees would become unaffordable.

We are concerned people might be paying for legal and professional services when they could access more suitable options for free, through community legal centres or financial counselling services.

Are there any specific goods and services, including those already approved on the program as per the listing above (page 6 of the Discussion Paper), that should be excluded from Centrepay?

Consumer leases are problematic for all consumers, but particularly for Centrepay recipients. Eventually we hope consumer leases will be excluded from Centrepay, but safer alternatives to help people obtain white goods need to be more accessible before the leases can be removed, as many people in remote areas depend on the leases to acquire these items.

The No Interest Loan Scheme (NILS) can help people purchase white goods without incurring interest and late fees. However, there are not enough NILS places available to service the need that would arise if consumer leases were excluded from Centrepay at this time.

We strongly encourage the Agency and other relevant bodies to develop systemic improvements that might one day mean the stop-gap measure of consumer leases being Centrepay-approved is no longer necessary.

For as long as consumer leases continue to be Centrepay-approved, we would like to see greater protections for vulnerable customers. The main risks and potential improvements are outlined below:

- **Increasing the cost of goods**

One of the key financial harms caused by consumer leases is how they substantially increase the cost of goods. It is an example of the “poverty premium” at work, which punishes people for being on a low income. This [Anglicare Report](#) explains how the poverty premium works in Australia.

Financial counsellors and financial capability workers often see this in their work. The column on the far right of the figure below, supplied by a financial counsellor at Broome Circle, shows the low value of goods purchased through consumer leases, versus the high cost of the contract.

LAR Pty Ltd (Consumer Lease) Contract Problems: July 2017 - January 2018

	Client	Weekly Income / Type	Problems with contract	Future of contract? / Result?	Value of Goods/Contract
#1	Ms JC	\$488 / Parent (2 child)	Expenses exceed income	Cancelled, \$281.30 refund	\$1,600 / \$5,824
#1	Mr WR	\$315 / Newstart	No expenses listed for crucial items	Cancelled, \$1495 refund	\$1650 / \$5,980
#2	Ms MS	\$790/Single Parent, 3 kids	1. Unaffordable. 2.No expenses listed for crucial items	Cancelled, customer retains goods.	\$1,650 / \$5,250
#3	Ms MY	\$435 / Disability Pension	1. Unaffordable. 2. Contract not explained.	FOS Dispute, then contract cancelled Customer retains goods	
#4	Mr CS	\$456/Disability Pension	Expenses unrealistic / 2 year old credit check No Expenses for phone - but new phone in contract Two different contract totals	Still negotiating with LAR	\$2,041 / \$7790
#5	Ms CC	\$249 / Newstart	Husband-wife inc. \$400/fortnight less than expenses	Request to LAR to cancel and refund	\$700 / \$2,548
#5	Mr PE	\$325/Disability Pension	Expenses not properly listed	Request to LAR to cancel and refund	\$600 / \$2184
#6	Ms EB	\$750 / Teacher's Aide	Two different total Payment figures in same contract	Cancelled, customer retains goods	\$1,500 / \$6,300
#7	Ms BS	\$292 / Newstart	1. Told verbally it was a 1 yr contract, but it is for 2 years 2. Thought she was buying, never told she was renting.	Cancelled, customer retains goods	\$1,550 / \$5,668

Figure 1: Data from financial counsellors at Broome Circle, supplied as part of the small credit contract legislation campaign

■ Inadequate assessments

Financial counsellors often see people struggling to keep up with consumer lease repayments, because their capacity to pay was never comprehensively assessed and they have been financially overcommitted.

For example, a financial counsellor told us about a case in which the capacity to pay assessment did not include the client's medical expenses, the cost of medicine or the cost of travel (treatment was hundreds of kilometres away):

"Amanda sought help due to household financial stress including rental arrears, overdue utility bills and struggling with costs relating to trips to Perth for her son in remission for Leukaemia.*

"Amanda and her partner both had ... [consumer lease] contracts; Amanda informed me she had already reduced fortnightly repayment amounts for both contracts numerous times due to financial hardship ...

"Both contracts have numerous problems with affordability assessments. The total of both contracts is \$11,804 for items valued at \$3,250."

*Not the client's real name

Total Household Income per fortnight: \$ 1,757.44 per f/n

You must record the customers answer within each box in Column (A)

Customer Expenses:
Ensure the following questions are asked;
How much do you spend on; (taken from benefit)

	Customer Answer (A)	LAR Minimum Benchmark (B)	Total A or B (Whichever is higher)
Board?	\$ nil per f/n	\$ per f/n	\$ per f/n
Rent?	\$ nil per f/n	\$ per f/n	\$ per f/n
Electricity?	\$ nil per f/n	\$ n/a per f/n	\$ per f/n
Telephone?	\$ nil per f/n	\$ n/a per f/n	\$ per f/n
Insurance/Funeral Fund?	\$ nil per f/n	\$ per f/n	\$ per f/n
Loans/fines?	\$ 38.50 per f/n	\$ per f/n	\$ 38.50 per f/n
Child Support?	\$ nil per f/n	\$ per f/n	\$ per f/n
Car expenses?	\$ 70.00 per f/n	\$ 50 per f/n	\$ 70.00 per f/n
Tobacco/Alcohol?	\$ 50.00 per f/n	\$ per f/n	\$ 50.00 per f/n
Entertainment?	\$ nil per f/n	\$ per f/n	\$ per f/n
Medical Expenses?	\$ nil per f/n	\$ per f/n	\$ per f/n
Bank fees?	\$ nil per f/n	\$ per f/n	\$ per f/n
Any other Expenses?	\$ 545.98 per f/n	\$ per f/n	\$ 545.98 per f/n
Food and Clothing?	\$ 200 per f/n	\$ 354 per f/n	\$ 354.00 per f/n

Existing Local Appliance Rentals Contracts ☐

Total Expenses per fortnight: \$ 1,058.48

To ensure compliance with the National Consumer Credit Protection Act 2009, it is a requirement to make reasonable inquiries about a consumers financial situation. In order to comply with the act you are required to ask the questions above in relation to a customers expenditure. Please enter the customers response into the "customer" column. We have certain minimums in the "LAR Minimum" column for car expenses, electricity and phone that must be used in the event that a customer states less than the minimum amount. Please select the highest amounts from the "Customer" and "LAR Minimum" column and enter them in "Total A or B" column.

Partner pays rent, electricity and telephone. Shared and wife pays for phone.
Other expenses represent partners expenses.

Total Disposable Income after all Expenses: \$ 698.96 per f/n

What Customer has available for Rental Payments \$ 698.96 per f/n

Item Details	Goods Description	Notes	Amt per f/n
Item 1	Table and Chairs 7 Pce.	650	45.00
Item 2	Large A/C	1000	70.00
Total Rental Amount F/N <input checked="" type="checkbox"/> or WK <input type="checkbox"/>			115

Each Week ☐ F/night ☐ for 52 Payments. Contract Term in Months: 24

Payment Method: Direct Debit ☐ Centrelink ☒ Other ☐

Figure 2: One of the consumer lease capacity to pay assessments, with no medical expenses listed.

Financial counsellors and financial capability workers see many cases like this. It is imperative businesses conduct comprehensive assessments of a person's capacity to pay off a consumer lease.

The Agency must monitor the practices of consumer lease providers with particular care and communicate to Centrepay users that where possible, more affordable alternatives should be used to help purchase white goods (such as the NILS).

What criteria should be used to consider whether to include or exclude any goods or services?

Rather than excluding products from the list of Centrepay-approved goods and services, we favour an approach that adopts and enforces strict conduct rules for businesses.

Some criteria might be:

- Do the products and services do no harm to the customer?
- Does the business providing goods and services have good cultural protocols and a vulnerability framework?

- Does the business conduct a robust assessment of the customer's capacity to pay?
- Does the cost of the goods or services put people in further financial hardship?
- Does the business have single accounts for each customer? Or is there good reason to have multiple contracts or accounts for one customer?
- Are costs and payments transparent?
- Does the business provide accessible information about what is owed and why?
- Are products sold at a reasonable price, with increases prohibited?

The Agency should regularly audit participating businesses and ensure their practises adhere to expectations.

Recommendations

1. The household category should be refined to ensure businesses cannot exploit these categories to sell overpriced and non-essential items
2. Businesses should be required to comprehensively assess customers' capacity to pay
3. It should be compulsory for the fields for target dates or target amounts to be completed on the Centrepay form
4. Pricing of products and services must be made very clear to the customer
5. Consumer lease providers should be limited in the amount of interest and fees they can charge Centrepay recipients
6. Wherever possible, more affordable alternatives should be used to help people purchase whitegoods instead of consumer leases (e.g. the NILS)
7. Rather than excluding certain products from the list of Centrepay-approved goods and services, the Agency should adopt and enforce strict rules of conduct for businesses
8. The Agency must conduct regular audits and closely monitor Centrepay businesses, particularly consumer lease providers

2.3 Deduction Arrangements

Are the current Centrepay deduction types sufficient and provide the appropriate flexibility to support customers in managing their own finances?

Yes.

Should there be restrictions on the types of deductions (i.e., ongoing amounts) that can be established for specific goods and services?

Housing, utilities, and telecommunications

Housing, electricity, gas, water and telecommunications (phone and internet access) are essential services. We recognise benefits in setting up ongoing payments for these services. However, when a person using Centrepay changes service providers, is disconnected or suspends their account, their Centrepay payments continue. Financial counsellors and financial capability workers often see the detrimental impact this has on their client's financial state and emotional wellbeing.

Service providers should be responsible for notifying Centrepay when there is a change, to prevent unnecessary payments continuing to these providers when they are no longer servicing the client.

If payments do continue and credit is accrued, service providers and other businesses must clearly communicate that with the customer, letting them know how much credit there is on their account.

Non-essential goods and services

All other goods and services must have a 12-month time limit and clear target payment amount. These include, but are not limited to, consumer leases, legal and professional services, transport, health services, and medical equipment.

When there is no end date or target amount on a payment, Centrepay payments often exceed the debt to a business and people end up accruing credit unnecessarily, or as a financial counsellor from the Northern Territory explained, potentially vastly overpaying the business:

"I had a case recently where the client had paid significant YTD to a transport provider (Bus back to community) with no target amount but the transport provider claimed the client had a bit more to pay.

"After showing me a statement of how much each trip cost, the YTD amount meant that the client would have been paying for trips in 2017 in the past 12 months.

"I can't imagine a transport company would let a client on the bus multiple times between 2017 and now, and only have them pay for it in 23/24.

"I feel like the transport provider was trying to cover up how much Centrepay they had received because there was no target amount implemented."

Financial counsellors see businesses taking advantage of continual payments and the credit accrual that occurs as a result, by keeping the money and offering customers a voucher, or encouraging them to start another account and spend more.

One financial counsellor told us this had happened to their client with a veterinary service (vets are Centrepay-approved). The vet took regular payments, so the customer accrued credit similar to a voucher.

This is what another financial counsellor said about how long-term payment commitments for non-essential services impact clients:

“The use of Centrepay for these non-essential goods and services that allow no target amount or target date keep those vulnerable people on a merry-go-round of poverty”.

Providing customers with transparent and accessible information about their repayment timeline and targets would help to prevent overpayments and the accrual of credit. For example, the NILS provides an ideal model in which people have 12 months to repay their loan with fortnightly repayments of a consistent amount. It is a far better approach.

Many people use the NILS to pay their car registration, because they know when the annual payments will be complete and when they need to renew the registration again. They are budgeting via the NILS, and could do the same via Centrepay if there was a mandatory time limit and target amount for all non-essential goods and services.

Responses to overpayment

Financial counsellors and capability workers have seen businesses failing to give refunds on overpayments that occur through Centrepay. Instead, they offer vouchers or credit for people to make purchases in future. Store vouchers do not count as refunds.

There must be an easy way for people who use Centrepay to recoup or reattribute the money that has been overpaid to a business, as they might want to spend the funds on something else.

There must be a straightforward way for people to get refunds (whether businesses do it internally, or Centrepay handles the process). If there is already a process in place for overpayments to be refunded to people, we would appreciate it if Centrepay could inform advocates about how this works.

Should there be a maximum percentage limit on the amount customers can allocate from their Centrelink payment to their Centrepay deductions? Should this percentage apply to all Centrepay service reasons or to a selection of service reasons?

We would like 25 per cent of an individual’s Centrelink payments be quarantined so it is not available for Centrepay businesses. There should also be a percentage limit for all goods and services purchased through one-off payments. We support these payment limits because many financial counsellors and financial capability workers see a great

number of First Nations people with Centrepay deductions so large they are left with limited money to purchase food.

People can easily spend all their Centrelink income without realising, because it is difficult to track Centrepay commitments due to the inaccessible nature of the information. Deduction statements can only be accessed via MyGov, which is challenging to navigate for many people. The two-factor identification process can be almost impossible for people with no phone, a shared phone, or limited internet access.

Advocates report people are often surprised when they see their printed-out Centrepay deduction sheet when applying for the NILS. This is because they rarely look at it, aside from when they interact with financial counsellors, capability workers or NILS workers. They rarely look because it is so challenging to access the MyGov portal.

Some financial counsellors have told us that even when customers try to acquire information about their repayments directly from businesses, they can face challenges.

This is what the financial counsellor from Western Australia said, who assisted the couple with the consumer lease agreement mentioned earlier in this submission:

“Amanda said she was never told verbally the total cost of the contract. She was also frustrated they never gave her a straight answer when asking how much if left to pay.”

Since there are significant obstacles to access the required information to make sound decisions with Centrepay, there needs to be payment limits to ensure people do not spend large proportions of their income on non-essential items.

There should be clear and accessible information provided to customers and an alert when they go over the maximum percentage limit. Information about the National Debt Helpline and Mob Strong Money Help financial counselling services should also be provided.

Should businesses retain the ability to establish Centrepay deduction arrangements on behalf of customers?

Ideally, customers should be able to understand and complete forms themselves. However, this is not always possible as some people lack the financial literacy to navigate such agreements on their own.

There is more information in the following sections of this submission about the kinds of barriers facing customers who speak English as their second, third or fourth language, and why they would struggle to establish Centrepay deduction arrangements without assistance.

In these circumstances, businesses should retain the ability to establish Centrepay deduction arrangements. But businesses must complete the form with the customer and clearly advise them of all relevant information.

The Agency must conduct regular audits, to ensure this process is transparent and that businesses are accountable. Financial counsellors have seen time and time again that when it comes to Centrepay deduction arrangements, businesses cannot always be relied upon to do the right thing. This means strong oversight by the Agency is essential.

Should certain businesses have conditions imposed limiting the access they have to manage deductions on behalf of customers?

Yes, providers of consumer leases and other small credit contracts should follow the new small credit contracts laws. If they do not do so, they should no longer be eligible businesses.

What further conditions should be applied to deduction arrangements to further strengthen customer protections?

It is important to ensure payments do not increase and target dates do not change without an updated Centrepay form signed by the customer. Purchases must be documented correctly on the Centrepay form or as an attachment to the form.

Does the Agency's existing Centrepay resources and information available to customers clearly outline the customer authority process and customer's ongoing requirements to manage their deductions?

Not currently. There needs to be information assistance and support from Centrepay resources when a person has limited English or financial literacy. Languages translators could help address these issues.

Recommendations

9. The mandated target amounts for household basics should be extended to include legal and professional, social and recreational, travel and transport, and some financial products
10. There should be a legal requirement for essential service providers to tell Centrepay when a client has changed providers, been disconnected or suspended their account temporarily
11. Non-essential goods and services should have a target amount and a 12-month time limit on repayments
12. It should be prohibited for businesses to encourage people to take on credit using Centrepay

13. There needs to be a straightforward way for overpayments to be refunded back to the customer
14. 25 per cent of an individual's Centrelink payments should be quarantined so it is not available for Centrepay businesses
15. There should be a percentage limit for all goods and services purchased through one-off payments, with an alert when the customer exceeds the limit

3. Customer Experience

3.1 Access to Centrepay

What types of information would better support customers to understand and manage their own Centrepay arrangements?

Information should be provided in plain language, either written or using translators for First Nations and CALD people.

There should be an easier way to access deduction statements without going through MyGov, perhaps a monthly report to the client detailing the deductions. It would be best if this report were provided in the 'letter' section of MyGov.

Additionally, a copy of the purchase receipt would allow advocates to advise if overcharging through Centrepay has occurred.

How can the Agency, and registered Centrepay businesses, better support customers when things go wrong?

Centrelink agencies must understand how Centrepay works, so they can assist when needed and refer customers when they see a problem.

There must be very clear processes in place when things go wrong, particularly for customers who speak English as a third or fourth language.

There should be a designated staff member from Centrepay on the Indigenous phone line, to handle any issues that may occur for customers. Other Centrelink staff should have cultural awareness training, so they can support First Nations and CALD customers effectively.

What are the specific cultural, geographic, and language barriers impacting customers' ability to use Centrepay?

Many First Nations customers in remote communities do not have the literacy to understand correspondence in English. Some speak English as a third or fourth language, meaning it is incredibly difficult to navigate written documents. Therefore, these

customers often leave matters unresolved until they speak to a financial counsellor or financial capability worker who can help them understand what the information is about.

Furthermore, regional and remote residents usually cannot access a Centrelink office. This means they rely heavily on Centrelink agencies that do not have the expertise to help them understand financial information.

Recommendations

16. Information should be provided in plain language, either written or using translators
17. There should be an easier way to access deduction statements without going through MyGov, perhaps a monthly report to the client detailing the deductions
18. A copy of the purchase receipt should be made available with the deduction forms
19. Centrelink agencies must understand how Centrepay works, so they can assist and refer customers when they see a problem
20. There must be very clear processes in place when things go wrong, particularly for customers who speak English as a third or fourth language
21. There should be a designated staff member from Centrepay on the Indigenous phone line
22. Centrelink staff should undertake cultural awareness training

3.2 Complaints

What improvements could be made to the complaints management process for Centrepay customers?

Contacting the Centrepay complaints department is often challenging for advocates to navigate - let alone the average customer. The only contact information that is clearly available online is for Centrelink, not for 'Centrepay' specifically. This can be confusing for customers, even if they eventually get put through to a dedicated Centrepay complaints department.

We would like the Agency to develop an easier way to contact the Centrepay complaints department online or via phone. The complaints department must also address issues in a timely manner.

There should be a specific Centrepay contact line for advocates, to help them get better outcomes for vulnerable clients. However, it is crucial the complaints process is accessible for people who are not supported by advocates, as many customers need to resolve problems themselves.

How can we better advertise and communicate the channels and avenues through which complaints can be made?

The Agency should send delegations to financial counselling state and national conferences, to speak with financial counsellors and financial capability workers. These

conferences are well attended and provide an ideal forum for educating the sector and communicating with those who work in it.

Consultations every six months with the financial counselling sector would also facilitate discussions about how processes are working and how to develop improvements.

We would also like to see information about the complaints process displayed on televisions or posters in Centrelink offices.

Are there any known barriers or perceived issues that are impacting a customer's ability or willingness to raise concerns with the Agency in relation to their Centrepay arrangements?

There are several significant barriers:

- Limited financial literacy and understanding of financial products, costings, and rights to complain
- Customers may have limited phone access and internet connectivity, which makes it difficult for them to access information and raise concerns
- Language barriers are a significant problem when customers cannot access a translator. This is particularly true for First Nations people who have English as a second, third, or fourth language
- Some agency staff do not understand cultural differences, which makes effective communication difficult

Recommendations

23. The Agency should develop an easier way to contact the Centrepay complaints department online or via phone. The complaints department must address issues in a timely manner
24. There should be a specific Centrepay contact line for advocates
25. The Agency should consult regularly with financial counsellors and other consumer advocates, to educate the sector and examine how Centrepay is working
26. Translators should be available to help customers with language barriers raise concerns

4. Business

4.1 Becoming a Centrepay Registered Business

Having regard to the Centrepay Procedural Guide for Businesses, are there any further obligations that businesses should be required to comply with in order to become or remain an eligible registered Centrepay business?

Businesses should:

- Be required to provide evidence of robust financial assessments (like a statement of financial position that shows a customer's capacity to pay)
- Agree to regular audit procedures to ensure fair trading
- Provide goods transactions as part of the Centrepay application
- Maintain fair and reasonable costs of goods and services

What community expectations could be incorporated into assessing Centrepay registered businesses?

The goods and services they provide should be necessities, as per the original reason for the Centrepay program.

The Agency must also ensure businesses are being transparent, by recording regular in-depth transactions on customers' accounts and contacting customers when the final payment has been made. This would stop accounts going into credit unnecessarily.

What risk factors should the Agency consider in assessing a business for Centrepay registration?

The Agency should consider whether a business targets vulnerable people, including those with limited financial literacy, low-income groups, First Nations people, CALD people, and people with disabilities.

The Agency should also consider historical information or records that indicate possible unconscionable conduct or breaches in previous dealings.

The Agency should also consider businesses drawing on more than 25 per cent of a customer's Centrelink income as a risk factor.

Recommendations

27. Businesses should be required to: provide evidence of robust financial assessments, agree to regular audits, provide goods transactions as part of the

Centrepay application, and maintain fair and reasonable costs of goods and services

28. The Agency must ensure the goods and services are necessities and Centrepay businesses are being transparent
29. When assessing risk factors in businesses, the Agency should consider the targeting of specific communities, previous rule breaches, and whether they draw on more than 25 per cent of a customer's Centrelink income

4.2 Business models

What, if any, additional conditions should be placed on businesses to ensure increased flexibility and protections for customers when considering the use of Centrepay as a payment method?

Businesses should be required to provide evidence of transparent and reasonable costing, agree to audits and financial assessments, clearly inform customers about the cost of goods and services, and inform customers when payments have stopped or are complete.

The Agency should also ensure businesses only set up one account for customers at any one time. Businesses should not be allowed to let customers accrue credit via Centrepay; and if this does still occur, businesses should be required to inform the customer within a limited timeframe.

Businesses should also be required have internal audit procedures, so they are conducting regular checks to ensure they are not breaching rules. Coupled with comprehensive oversight from the Agency, these audits would help maintain accountability and protect vulnerable customers.

We would also like to see businesses be required to have a sound complaints process and be part of an EDR scheme.

What flags would you expect the Agency to be monitoring to trigger engagement with businesses in relation to their compliance with Centrepay policies?

Financial counsellors and financial capability workers have seen businesses cite the existence of multiple contracts as justification for not populating the target date or target amount fields on Centrepay forms. When customers have multiple accounts with one business, it makes it difficult to track expenditure, which leads to the unnecessary accrual of credit and/or overspending. Businesses having multiple contracts with one customer should trigger engagement with the Agency.

Another flag the Agency should monitor is when businesses do not fill out the target amount and payment end date on Centrepay forms. The failure to clearly state this information creates the risk of accounts going into credit.

The Agency should also consider multiple complaints from customers about a Centrepay-approved businesses as a flag for further engagement, as well as any business that takes more than 25 per cent of a customer's Centrelink income in payments.

Are there any business models that should be excluded from Centrepay and if so, what criteria should be used to consider their inclusion or exclusion?

The observations of financial counsellors and financial capability workers show some business models are ill-suited to Centrepay and cause harm for vulnerable customers.

Businesses and/or business models that fall into the following categories should never be included in Centrepay:

- Businesses that charge significant fees and interest on top of the initial goods
- Businesses that do not have a sound IDR process and are not members of an EDR scheme
- Businesses that ASIC has taken action against, or businesses whose directors have had complaints made against them that have been substantiated
- Debt collectors
- Wage advance services

The following criteria could be used to assess whether a business should be included or excluded:

- Do the business' services align with the stated purpose of Centrepay?
- Does the business have a sound and reliable complaints process?
- Does the business charge fees in addition to the cost of the actual goods and services? If so, what are they for and how much are they?
- Has the business ever breached rules and regulations? If so, what was the severity of these breaches and has it implemented improvements since?

Recommendations

30. The Agency should ensure businesses only set up one account for customers at any one time
31. Businesses should be required have internal audit procedures, have a sound complaints process and be part of an EDR scheme
32. Businesses having multiple contracts with one customer should trigger engagement with the Agency
33. The Agency should also consider multiple complaints from customers about a Centrepay-approved businesses as a flag for further engagement, as well as any business that takes more than 25 per cent of a customer's Centrelink income in payments
34. Some businesses and/or business models should never be approved for Centrepay, including debt collectors and wage advance services

5. Compliance

5.1 Current Compliance Processes

What should a business be monitored against to remain registered as a Centrepay business?

Businesses should be monitored against the following criteria to remain registered with Centrepay:

- The outcomes of their own regular internal audits
- The outcomes of regular audits conducted by the Agency
- The number and severity of complaints listed with the Agency against the business

The Agency's monitoring of businesses where warning flags have been identified needs to be particularly robust.

What information should be made available, to Centrepay customers and the public, regarding any compliance action taken by Services Australia against a Centrepay registered business?

Customers and advocates should be notified in advance when any compliance action may result in a business being removed from Centrepay, as this would impact the customers who purchase goods and services from the business.

Recommendations

35. To remain registered with Centrepay, businesses should be monitored against the outcomes of internal and external audits, and the nature of complaints against them

6. Overpayments

What information and further assistance would be useful to customers when an overpayment has occurred?

It would be helpful for the Centrepay registered business to promptly contact the customer after an overpayment has occurred (contact must be made before the next payment, which would usually be in a fortnight). The business should also cancel the deductions with Centrepay, if there is a process for this.

The business should offer the customer a refund of the amount that has been overpaid, either through Centrepay or into their bank account.

How would customers prefer to be notified about overpayments?

Customers should be notified in several ways, with the understanding some may not have access to digital devices and may not understand English.

These notifications must be delivered over a long period of time, not just a one-off message, in some or all of the following formats:

- By text message
- By phone
- Email
- Letters (where appropriate, for example in remote communities mail is not delivered to home addresses)

What factors are contributing to customers accumulating credit with businesses?

Businesses are pressuring customers to accumulate credit and displaying ‘gratuitous concurrence’ – a term used at the 2018 banking royal commission to describe the predatory culture that seeks to exploit [a tendency of residents in Indigenous communities to agree to propositions with which they do not actually agree](#). Financial counsellors and capability workers sadly still see this occurring widely.

For example, this year Urban Rampage stores in the Northern Territory, Western Australia and Queensland received a stop order from ASIC for [pushing unaffordable purchases on First Nations consumers using Centrepay](#).

As this financial counsellor from South Australia explained, some people believe the business is being generous by “letting them” build up credit:

“We had a business that was notorious for continuing to take out Centrepay deductions long after the items were paid, but for some reason the clients were convinced that he [the business owner] was doing them a favour by letting them build up a credit and no-one would ever speak up about his practices.

“I had rang ASIC a number of times but due to no-one speaking up they couldn’t do anything about it. That business has now changed hands and I would suspect that people lost money.

“We have at the moment a furniture shop that is allowing the same to happen, but no-one will speak up when we notice it on their income statement so we are a bit lost as to how to help – I have explained that if the business closes then they will lose their money, and if we don’t have an end date then the payment will just keep going and they may not get their money back from the business.”

Businesses pressuring people to spend more and accumulate credit directly contravenes the purpose of Centrepay, which is designed to ensure people have enough to cover the basics.

There are also other factors that exacerbate the risk of customers accruing credit with businesses, listed below:

- Low literacy and low financial literacy
- No transaction reporting on behalf of businesses to notify customers when they are in credit
- No mandatory end dates and target amounts on Centrepay forms

And how can the Agency better support customers to avoid overpayments with businesses?

The Agency could help customer avoid overpayments by:

- Making the target amount and target date fields on the Centrepay application form compulsory
- Developing a policy that ensures businesses do not allow accounts to be in credit
- Making a transaction record of payments available on the online Centrepay deduction listing that customers and advocates can access. This would enable customers and their advocates to track how much has been paid and allow the Agency to assess whether the business is complying with Centrepay objectives

Recommendations

36. If overpayment occurs, the Centrepay registered business should promptly contact the customer, cancel the deductions, and offer a refund
37. Customers should be notified about overpayments in several ways, with the understanding some may not have access to digital devices and may not understand English
38. To help customers avoid overpayments, the Agency should: make the target amount and target date fields on the Centrepay application form compulsory, develop a policy that ensures businesses do not allow accounts to be in credit, and make a transaction record of payments available on the online Centrepay deduction listing

7. Consultation and Engagement

What does meaningful consultation and engagement look like to you with respect to reforming the Centrepay service?

Regular consultations with advocates and stakeholders about the Centrepay system would help maintain meaningful engagement and identify opportunities for improvement.

The consultations could include webinars on Centrepay policies and processes, as a reminder for advocates. This would be particularly important in the early days of the reforms.

Centrelink staff may also gain valuable insights by speaking face-to-face with customers on outreach days.

Recommendations

39. The Agency should continue the community of practice with advocacy sectors