

# **Submission to Australian Department of Social Services on Centrepay Reform**

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# About the Justice and Equity Centre

The Justice and Equity Centre is a leading, independent law and policy centre. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we work with people and communities who are experiencing marginalisation or disadvantage.

The Centre tackles injustice and inequality through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

We actively collaborate and partner in our work and focus on finding practical solutions. We work across five focus areas:

**Disability rights:** challenging discrimination and making the NDIS fairer to ensure people with disability can participate equally in economic, social, cultural and political life.

**Justice for First Nations people:** challenging the systems that are causing ongoing harm to First Nations people, including through reforming the child protection system, tackling discriminatory policing and supporting truth-telling.

**Homelessness:** reducing homelessness and defending the rights of people experiencing homelessness through the Homeless Persons' Legal Service and StreetCare's lived experience advocacy.

**Civil rights:** defending the rights of people in prisons and detention, including asylum seekers, modernising legal protection against discrimination, raising the age of criminal responsibility to 14, advancing LGBTIQ+ equality and advocating for open and accountable government.

**Energy and water justice:** working for affordable and sustainable energy and water and promoting a just transition to a zero-carbon energy system.

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# Contents

- 1. Introduction.....1**
- 2. Policy Intent of Centrepay .....2**
  - 2.1 Safeguards and protections for customers to reduce financial harm..... 2
    - 2.1.1 Exploitation ..... 2
    - 2.1.2 Overpayments ..... 3
    - 2.1.3 Poor Communication ..... 3
  - 2.2 Centrepay as a tool for customer financial empowerment and self-management..... 4
    - 2.2.1 Value of self-management..... 4
    - 2.2.2 Lack of genuine and voluntary consent ..... 4
- 3. Consultation and Engagement.....4**
  - 3.1 Lived Experience ..... 4
  - 3.2 Energy and Water Consumers' Advocacy Program ..... 5



# 1. Introduction

The Justice and Equity Centre (JEC) welcomes the opportunity to make a submission to the Department of Social Service's review of Centrepay.

The JEC provides free legal advice and assistance to people experiencing or at risk of homelessness through the Homeless Persons Legal Service (HPLS). Our policy and advocacy work to address the structural causes of homelessness is informed by the experiences of HPLS clients and the advice of lived experience advocates with diverse experiences of homelessness who are members of the group StreetCare.

It is crucial that people receiving income support are empowered to manage their own finances. Centrepay's financial deductions must be set up and managed in a way that supports the customer's independence and ability to make decisions in their own life.

This is particularly crucial given that the current inadequacy of Centrelink payments means there is little to no 'financial cushion' to manage unexpected changes to their financial circumstance. Many people on income support are already struggling to cover rent and being forced to ration food to cover,<sup>1</sup> meaning that any change to their deductions can significantly impact their ability to obtain essential goods and services.

This includes the ability to obtain, or sustain, housing. Although anyone can become homeless, people on low incomes, including those whose main income is social security, are at a greater risk of homelessness.<sup>2</sup> While Centrepay can support tenants to manage rental payments, issues with the service can also place people at risk of eviction and homelessness.

We support the critical areas of reform identified in the Centrepay Reform Discussion Paper.<sup>3</sup> Our submission addresses:

- safeguards and protections for customers to reduce financial harm; and
- Centrepay as a tool for customer financial empowerment and self-management.

Our submission draws on the experiences of HPLS clients and StreetCare's lived experience advocates. While we acknowledge that Centrepay can support customers to manage their finances, we highlight how the use of this service can also lead to financial harm.

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<sup>1</sup> Australian Council of Social Services, *"It's not enough": why more is needed to lift people out of poverty* (Report, September 2023) 4.

<sup>2</sup> Australian Housing and Urban Research Institute, *Estimating the population at-risk of homelessness in small areas* (Final Report No. 370, November 2021) 5.

<sup>3</sup> Services Australia, *Centrepay Reform: Discussion Paper* (May 2024) 5.

We intend for this submission to provide an overview our concerns and request the Department meets with StreetCare, to further understand these issues as part of its consultation and engagement. We also recommend the Department meet with our Energy and Water Consumer Advocacy Program for their expertise on how to support low income consumers of energy and water services.

## **2. Policy Intent of Centrepay**

### **2.1 Safeguards and protections for customers to reduce financial harm**

We are pleased to see the Department acknowledge the need for improved safeguards and protection for customers of Centrepay. Many HPLS clients and StreetCare members have experienced financial harm as a result of the service, which exacerbates social and economic disadvantage.

#### **2.1.1 Exploitation**

While many businesses use Centrepay fairly, we are concerned that some use the bill-paying service to exploit customers.

For example, there is a locksmith business which bases itself in a Sydney public housing community with the knowledge that some tenants frequently forget their keys. The business charges an exorbitant fee for a locksmith service, knowing the tenants are anxious to access their home and are unlikely to be able to pay this fee upfront. The business then sets up a Centrepay deduction for the tenant to pay off the locksmith service fee. Some vulnerable tenants in this community have relied on the locksmith service on multiple occasions and the total amount for Centrepay deductions now constitute a significant portion of their income support payments – leaving them in financial hardship.

This is an example of a business which targets vulnerable people. The people being targeted may not be aware that this activity is a breach of Centrepay policy<sup>4</sup> and may not make a complaint. This is particularly true where the business may be making deductions which are a higher price than a customer would pay through a method other than Centrepay. A customer may not realise that this overcharging beyond the reasonable cost for a service is a breach of Centrepay policy.<sup>5</sup>

Improved safeguards and protections are needed to ensure customers are protected from exploitation by unethical businesses. If exploitation does occur, Centrepay must ensure that the customer is supported to make a complaint and seek remedy.

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<sup>4</sup> Services Australia, *Centrepay Procedural Guide* (May 2024) 26.

<sup>5</sup> Services Australia, *Centrepay Policy and Terms* (May 2024) 13.

### **2.1.2 Overpayments**

Financial harm also arises where overpayments are made to businesses. While Centrepay policy requires that business should refund overpaid amounts to their customers,<sup>6</sup> StreetCare members report that many businesses refuse to provide a refund. The business will often keep the overpayment as credit, even where the customer does not owe any debt.

Overpayments cause significant financial distress. For example, one StreetCare member had their entire Centrelink payment deducted due to a rental payment miscalculation. The business refused to refund them and kept the additional deduction as credit. This meant that the person had no money for food and other essentials for themselves or their family until their next payment. It is unacceptable that people are left without enough funds to support themselves and this directly contravenes the purpose of Centrepay to financially empower customers.

Centrepay must do more to prevent overpayments. It must also ensure that if overpayments do occur, businesses have the proper procedures in place and take swift action to rectify them. Without the proper safeguards, the customers are at risk of serious financial harm.

### **2.1.3 Poor Communication**

Customers must be at the centre of any decision around their use of Centrepay and be kept fully informed about any changes to their deductions. We note that Centrepay policies do require the customer to be notified where the deductions are decreased, suspended, or cancelled.<sup>7</sup> However, there are communication gaps between Centrelink and the business using Centrepay which must be addressed.

Multiple HPLS clients have had their deductions reduced as a result of a Centrelink error and not been notified of the change, either by Centrelink or the Centrepay business. This has serious consequences as clients can be failing to make important payments without realising. For example, HPLS clients have unintentionally gone into rental arrears as they believed they were meeting rental payments through Centrepay. The client is only made aware of the error by their landlord issuing a termination notice. This places the client at risk of eviction and homelessness and can also negatively impact their rental history.

Customers can be better protected from this financial harm by improving the communication between Centrelink, Centrepay and the customer.

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<sup>6</sup> Services Australia, *Centrepay Policy and Terms* (May 2024) 14.

<sup>7</sup> Ibid.

## **2.2 Centrepay as a tool for customer financial empowerment and self-management**

### **2.2.1 Value of self-management**

We acknowledge that Centrepay can be a valuable method for financial self-management. It can provide people with certainty and peace of mind in knowing that essential living costs are automatically paid. For example, one lived experience advocate expressed how they appreciate that their rent is taken care of, which means their housing will be sustained.

### **2.2.2 Lack of genuine and voluntary consent**

However, we suggest that safeguards and protections for customers can be improved during the sign-up process for Centrepay. Although Centrepay is a voluntary service,<sup>8</sup> customers are sometimes coerced into signing up.

StreetCare members have had both private businesses and government agencies refuse to provide a service if they do not agree to pay through Centrepay. The prospect of not receiving the service means that many customers agree to Centrepay when they may not have otherwise signed up. This is especially true for essential services such as housing.

Pressure to use Centrepay negates genuine and voluntary consent, contrary to Centrepay policy.<sup>9</sup> This undermines the person's ability to manage their own finances and the use of Centrepay as a tool for financial empowerment and self-management.

## **3. Consultation and Engagement**

### **3.1 Lived Experience**

Centrepay reform should include meaningful consultation and engagement with people who have first-hand experience using the service. These customers are uniquely positioned to identify areas for reform and provide solutions through their understanding of the practical, day-to-day issues arising from it.

Reform that is undertaken with people, rather than for them, supports greater integrity and improved effectiveness in a service. Empowering customers through Centrepay's review process also aligns with the intended goal of the service to financially empower those who use it.

We urge the Department to meet with StreetCare to discuss the reform of Centrepay and the JEC would be very happy to facilitate such consultation. StreetCare provides unique, essential and pertinent advice to decision makers, government departments and other key stakeholders about what can be done to support people who are homeless and help them to find a safe and secure home.

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<sup>8</sup> Services Australia, *Centrepay Policy and Terms* (May 2024) 5.

<sup>9</sup> Services Australia, *Centrepay Procedural Guide* (May 2024) 16.



This includes advice on social security services as these impact on a person's ability to obtain, or sustain, housing. Multiple members of StreetCare have used, or are currently using, Centrepay and experienced both the benefits it offers as well as challenges it creates.

### **3.2 Energy and Water Consumers' Advocacy Program**

We also encourage the Department to meet with our Energy and Water Consumers' Advocacy Program (EWCAP) which works to change regulatory and policy outcomes in energy and water systems to improve consumer protections, particularly for households experiencing disadvantage. EWCAP receives input from a community-based reference group and is well-placed to advise the Department on how Centrepay can be improved to support consumers of energy and water services.