

Centrepay review

Services Australia

10 July 2024

About ACOSS

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector.

ACOSS consists of a network of approximately 4000 organisations and individuals across Australia in metro, regional and remote areas.

Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.

Summary

ACOSS welcomes the review of Centrepay and the work by Services Australia to improve Centrepay for people receiving income support.

In ACOSS's view, the government must at the very least uphold the Centrepay policy and terms that businesses must comply with to use Centrepay, to ensure public confidence in the system and safeguard people on very low incomes from unscrupulous businesses. There must be greater oversight of companies using the system to ensure they are not taking advantage of their Centrepay customers.

We also call for vetting of businesses seeking to use Centrepay to prevent poor practices that harm people on the lowest incomes. Of concern to ACOSS is that despite the Centrepay policy and terms, some businesses seem to be approved despite failing to meet the terms and policy.

ACOSS also calls on the government to expand the No Interest Loans Scheme (NILS) to reduce reliance on consumer lease products widely available through Centrepay.

Recommendation 1

Services Australia should ensure businesses comply with the current Centrepay policy and terms and breach and/or remove those businesses that do not comply. These actions should be made public.

Recommendation 2

Services Australia should not approve companies applying to use Centrepay if they have breached regulations.

Recommendation 3

The government should adopt the recommendations put forward by the Financial Rights Legal Centre and the Consumer Action Law Centre to strengthen eligibility criteria for consumer lease companies to use Centrepay, including:

- mandate affordability checks and target amounts
- mandate provision of information about the recommended retail price, base price and total cost
- introduce a 2% per month fee cap, and
- only allow consumer leases for whitegoods.

Recommendation 4

The government should promote the use of, and expand the No Interest Loans Scheme, particularly in remote communities.

Discussion

1. What is Centrepay?

Centrepay is a voluntary bill payment service available to people receiving income support payments. It allows deductions to be made directly to businesses from someone's income support payment before it reaches their bank account. Introduced to help people pay for housing and utility costs, Centrepay is now available through 15,000 businesses that sell a range of products. Most Centrepay transactions are for housing and utility costs, but 21% are for other products.¹

By definition, people receiving income support and using Centrepay are on very low incomes. This is particularly the case for people receiving JobSeeker Payment, Youth Allowance, Parenting Payment and related income support. These payments are below all measures of poverty and fail to provide an adequate income to cover basic costs.²

As outlined in the discussion paper, Services Australia considers a business's use of Centrepay a privilege, and for good reason; a Centrepay arrangement prioritises spending on that product. While this is useful for a lot of people who use Centrepay to stay on top of rent and utility bills (for example), there have been a litany of examples of Centrepay arrangements leaving people without enough money to pay for food and other essentials.³

In this context, Services Australia has a serious obligation to ensure businesses approved to use Centrepay at the very least uphold the current Centrepay policy and terms. This is essential to protect people from predatory practices, exploitation and harm. People also trust that businesses approved to use Centrepay are regulated to meet the Centrepay objective, which is to reduce financial risk.⁴ However, ACOSS is concerned that businesses are not sufficiently regulated to ensure they abide by the policy and terms.

2. Consistently enforce Centrepay policy and terms

The Centrepay policy and terms set out a businesses' obligations in using Centrepay and the reasons why their eligibility may be denied or withdrawn by

¹ Centrepay Review discussion paper, <https://engage.dss.gov.au/wp-content/uploads/2024/05/Centrepay-Reform-Discussion-Paper-Final-1.pdf>, p.6

² Economic Inclusion Advisory Committee (2024) https://www.dss.gov.au/sites/default/files/documents/04_2024/economic-inclusion-advisory-committee-2024-report.pdf

³ For example, <https://www.theguardian.com/australia-news/2024/mar/30/centrelink-centrepay-scheme-welfare-payments-first-nations-indigenous-people-impact> & <https://www.theguardian.com/commentisfree/2024/apr/04/centrepay-debt-scheme-centrelink-payments>

⁴ Centrepay policy and terms.

Services Australia. Section 5.2 of the policy stipulates that Services Australia may deny or withdraw a business's approval to use Centrepay if:

- a. the Business (or its Business Representative) has not conducted, or is unlikely to conduct, its operations in a lawful manner
- b. the Business (or its Business Representative) has conducted, or may potentially conduct, its operations in a manner that is unethical, inconsistent with the Centrepay objective or takes unfair advantage of Customers
- c. the Business (or its Business Representative) fails to, or is unlikely to, fully comply with the Centrepay Framework
- d. making payments to the Business through Centrepay would adversely affect the reputation of the Agency or the Australian Government
- e. the Business (or its Business Representative):
 - i. is under investigation by a Regulatory Body or law enforcement agency
 - ii. is, following an investigation, the subject of adverse findings by a Regulatory Body or law enforcement agency, or
 - iii. has had enforcement proceedings brought against it or other sanctions imposed by a Regulatory Body or law enforcement agency, or
- f. the Business ceases to comply with any of the essential criteria listed above.⁵

The policy and terms also prescribe that businesses must not sell low value, high-cost goods through Centrepay.⁶

The policy and terms give Services Australia broad powers to act against businesses that do not act in the best interests of people using Centrepay. However, in practice, it seems businesses that breach these terms are allowed to continue to use the platform.

With over 15,000 companies registered for Centrepay, the government has a duty to enforce the Centrepay policy and terms. The public must have confidence that the government will act and remove companies that are in breach of Centrepay policy, not only to protect people receiving income support, but to signal to other businesses that there are repercussions for being non-compliant.

Removal of companies from Centrepay does not mean that people on income support cannot purchase goods from the company; it just means that the

⁵ Services Australia 'Centrepay Policy and Terms' <https://www.servicesaustralia.gov.au/centrepay-policy-terms-and-procedural-guide?context=23256#a1>, effective from 10 December 2018.

⁶ Ibid.

company cannot have priority access to their income support payments through Centrepay.

We highlight below instances where Services Australia has consistently failed to enforce the Centrepay policy and terms, resulting in financial hardship and exploitation for people on very low incomes. It is unclear why Services Australia has not systematically acted in response to concerns raised about companies approved for Centrepay when they appear to be in breach of the Centrepay policy and terms.

ACOSS also calls on Services Australia to consistently enforce the Centrepay policy and terms and independently vet all companies applying to use Centrepay for any regulatory action taken against them in the past, and to deny their application if they have breached regulations.

Recommendation 1

Services Australia should ensure businesses comply with the current Centrepay policy and terms and breach and/or remove those businesses that do not comply. These actions should be made public.

Recommendation 2

Services Australia should not approve companies applying to use Centrepay if they have breached regulations.

3. Examples of apparent breaches of the Centrepay policy and terms

1. ASIC concerns

Late last year, the Australian Securities and Investment Commission (ASIC) revealed it had told Services Australia to review an estimated 122 consumer lease companies for their suitability to use Centrepay because they offered high cost but low value products that are excluded under the Centrepay policy and terms. ASIC also alerted Services Australia to 21 companies selling household goods at inflated prices.⁷ ASIC stated that despite raising their concerns about these companies in their regular meetings with Services Australia “it just doesn’t seem to be having any impact in terms of the entities being removed from the [Centrepay] register.”⁸

⁷ ASIC (2023) Evidence to the Corporations and Financial Services Joint Committee, 3 November https://parlinfo.aph.gov.au/parlInfo/download/committees/commint/27501/toc_pdf/Corporations%20and%20Financial%20Services%20Joint%20Committee_2023_11_03_Official.pdf;fileType=application%2Fpdf#search=%22Oversight%20of%20ASIC.%20the%20Takeovers%20Panel%20and%20the%20Corporations%20Legislation%22

⁸ Ibid.

ACOSS is concerned that Services Australia has not acted appropriately in relation to ASIC's concerns, because the current policy and terms allows Services Australia to withdraw approval if there are concerns about a businesses' conduct.

Companies that have been breached regulations in the past also continue to be approved to use Centrepay despite adverse findings by a regulatory body being grounds for removal. A quick search of approved businesses on the Centrepay register reveals many companies that have been investigated and breached by ASIC. It is unclear if any action was taken by Services Australia following these breaches regarding the company's approval to use Centrepay.

2. [REDACTED]

This year, Services Australia suspended [REDACTED] use of Centrepay following action taken by ASIC against the company for offering credit that was unsuitable for its customer base.⁹ ACOSS and other consumer advocates welcomed this decision.¹⁰

However, concerns about [REDACTED] conduct and use of Centrepay were flagged well before 2024. In 2022, [REDACTED] was subject to an investigation by the Australian Competition and Consumer Commission (ACCC), with concerns about exploitative practices raised publicly.¹¹ At the time, Services Australia indicated that 'appropriate action' would be taken 'against any business found in breach of the Centrepay policy'.¹²

Despite this assertion by Services Australia, [REDACTED] continued to use Centrepay through to 2024 when ASIC launched its latest investigation into the company. Evidence shows that Services Australia did not suspend Urban Rampage from using Centrepay until 2024 despite the ACCC investigation and complaints being raised in 2022.¹³

This is of concern because in the intervening time, there were allegations of people being exploited by [REDACTED] through Centrepay. People were allegedly signed up to pay large amounts of money through Centrepay for its products without the company's proper consideration of their capacity to pay.

[REDACTED]

¹⁰ Financial Rights Legal Service (2024) 'Advocates welcome continued ban on use of Centrepay by business operating in remote Australia, and call for broader Centrepay reform', 20 March, <https://financialrights.org.au/media-release/advocates-welcome-continued-ban-on-use-of-centrepay-by-business-operating-in-remote-australia-and-call-for-broader-centrepay-reform/>

[REDACTED]

¹² Ibid.

[REDACTED]

For example, the following case was published in the recent Administrative Appeals Tribunal decision:¹⁴

“On 27 February 2024 ASIC received the following information via email from a financial counsellor in Broome, Western Australia about an [REDACTED] client seeking emergency relief:

I have just seen a client who came into Broome CIRCLE looking for emergency relief as she had no money left to feed her children.

The client advised that she went into [REDACTED] in Broome and was wanting to purchase \$500 worth of goods and [REDACTED] advised her she could have \$600 worth of goods, she then has the Centrepay deductions taken out at \$170 which has clearly left her with no money for food. I asked her if she was asked or if an affordability check was done and she advised that Urban Rampage did not, she has also advised that some people only want \$150 worth of goods and [REDACTED] won't allow them.

It is very clear to see that [REDACTED] business tactics are detrimental to client's affordability given that they are mostly on a Centrelink payment, they are continuing to prey upon the most vulnerable.”¹⁵

The question is why was [REDACTED] allowed to continue to use Centrepay when there were complaints made about its conduct and evidence it was not operating in the best interests of people on low incomes at least since 2022?

In the discussion paper, Services Australia recognises the need to strengthen its compliance arrangement. First and foremost, Services Australia needs to enforce its own Centrepay policy and terms.

3. [REDACTED]

Failure to uphold the Centrepay policy can lead to disastrous outcomes. The disgraced [REDACTED] [REDACTED] was approved to use Centrepay in 2001 and did so for 16 years despite being the subject of multiple complaints and investigations about its conduct.¹⁷ The upshot of this case is that thousands of First Nations people lost millions of dollars to this predatory company, with a \$97 million fund established by the Federal Government to compensate victims.¹⁸

[REDACTED]

¹⁵ Administrative Appeals Tribunal (2024) Ibid.

¹⁶ Also known as Aboriginal Community Benefit Fund

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

4. Expand the No Interest Loans Scheme and remove consumer lease companies

Consumer lease companies continue to be approved for Centrepay despite longstanding concerns about exploitation of people on low incomes, as these companies typically provide household and technological goods far above the recommended retail price.

Services Australia has published on its website advice that leasing household goods may see people pay 'a lot more for it than [they] think', and lists 'better value' options to purchase such goods, such as saving up for the purchase.¹⁹

Nevertheless, Services Australia is failing in its duty of care to people on very low incomes by granting companies access to Centrepay that it knows provides goods at inflated prices. While Centrepay is voluntary and people can end Centrepay arrangements at any time, consumer lease companies market their goods to people on low incomes and promote Centrepay as a method of payment. People trust that a company approved to use Centrepay will uphold the objective of the platform, which is to reduce financial risk. In many cases, people with Centrepay arrangements with consumer lease companies fall into financial distress and debt because of the high cost of goods – exactly what Centrepay is designed to prevent.

In 2019, consumer law advocates lodged a complaint with the Commonwealth Ombudsman about these companies being approved to use Centrepay, despite contravening the Centrepay policy and terms. This followed multiple complaints to the then Department of Human Services (now Services Australia) without apparent action.

The advocates argued that these companies breach the Centrepay policy and terms by:

- "leasing high cost but low value goods (such as by charging users many times the recommended retail price of the good),
- leasing products that are non-essential goods (such as bird cages),
- leasing products in such a way as to expose already vulnerable people to an unacceptable risk of financial stress or exploitation,
- failing to operate in a lawful manner (such as offering unsuitable loans to consumers),
- adversely affecting the reputation of DHS, and
- failing to act ethically, lawfully and fairly in its dealings with customers (such as using unfair sales tactics and contract terms)."²⁰

¹⁹ Services Australia (2024) 'Paying bills', <https://www.servicesaustralia.gov.au/paying-bills-using-centrepay?context=22366#cantpayfor>

²⁰ Consumer Action Law Centre 'Centrepay – Outcome of Commonwealth Ombudsman investigation' <https://consumeraction.org.au/wp-content/uploads/2020/10/Centrepay—Outcome-of-Commonwealth-Ombudsman-investigation-.pdf>

Despite this complaint and the Ombudsman reportedly sharing some of the concerns that Services Australia was not adequately investigating complaints, consumer lease companies remain eligible for Centrepay.²¹

ACOSS recognises that people in remote communities are particularly disadvantaged in terms of consumer choice, and consumer lease companies in these communities provide access to household goods that would otherwise not be available. ACOSS supports the calls by Financial Rights Legal Centre and the Consumer Action Law Centre for stricter criteria to be applied to these companies when assessing whether they can access Centrepay. These criteria include:

- mandate affordability checks and target amounts
- mandate provision of information to Services Australia about the recommended retail price, base price and total cost of products
- introduce a 2% per month fee cap, and
- only allow consumer leases for whitegoods.

If a consumer lease company causes harm by exploiting people through Centrepay, it should be removed from the scheme and the government must put in place a transition plan for that company's Centrepay customers relying on its business.

More broadly, the government should promote and expand the No Interest Loans Scheme, particularly in remote communities, so that people on low incomes have access to a scheme that is not seeking to profit from their inability to pay a large upfront cost.

Recommendation 3

The government should adopt the recommendations put forward by the Financial Rights Legal Centre and the Consumer Action Law Centre to strengthen eligibility criteria for consumer lease companies to use Centrepay, including:

- mandate affordability checks and target amounts
- mandate provision of information about the recommended retail price, base price and total cost
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Recommendation 4

The government should promote the use of, and expand the No Interest Loans Scheme, particularly in remote communities.

²¹ Ibid.

Acknowledgements

ACOSS prepared this submission in consultation with the Financial Rights Legal Centre, Mob Strong Debt Help, Consumer Action Law Centre, and Economic Justice Australia and acknowledges their contributions in the preparation of this submission.

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