

10 July 2024 Wednesday, 10 July 2024

Director
Department of Social Services
Submitted via DSS Engage

Dear Director

Services Australia: Centrepay Reform Discussion Paper May 2024

Thank you for the opportunity to respond to the Centrepay Reform Discussion Paper. This submission is prepared by the Consumer Action Law Centre based on our casework experience.

On 21 March 2023, Consumer Action and CHOICE signed a joint letter addressed to the Hon Bill Shorten MP, Minister for Government Services, outlining immediate fixes to ensure that Centrepay could no longer be used as a vehicle for abuse by businesses against Centrelink recipients. We continue to advocate for and support the solutions outlined in the letter, including:

Improve Centrepay rules and processes to empower financial capability and prevent abuse by businesses by:

- prohibiting never-ending deductions (except for housing costs and energy);
- quarantining 25% of a Social Security recipient's Centrelink payment so that it is unable to be accessed by any Centrepay business;
- amending the Centrepay payment hierarchy to ensure that the following deductions are always prioritised – payments for housing (shelter), payments for access to utilities (energy, water, telecommunications usage - not devices), medical treatment and supplies approved by a licensed practitioner;
- requiring businesses using Centrepay to include details of what was purchased as an attachment to the Centrepay Agreement (so that consumers can track what they have bought) and hard copies of deduction statements provided to digitally excluded customers. Customers must also have the right to return goods if defective.
- removing all non-essential and potentially harmful products from Centrepay access.

Prevent businesses doing the wrong thing and sanction them when they do by:

- supplementing the existing principles-based requirements with specific detailed obligations, expectations, or indicia to help flag businesses for investigation and possible suspension;
- introducing specific obligations to make business compliance and auditing easier; and
- introducing independent audits of Centrepay businesses.



Addressing harms caused by consumer leases in the short term by:

- Introducing mandated target amounts for the total cost of a consumer lease, and a 2% per month fee cap on the cost of payments. Consumer lease providers should also be required to provide Centrepay with information about the recommended retail price of the goods and the base price.

We have made further recommendations in responses to the questions below.

Insights from our frontline services:

Consumer Action's financial counsellors talk to people in financial stress every day on the National Debt Helpline. Our work gives us a unique set of perspectives on the unfolding cost-of-living crisis and how Centrelink payments are pushing people into poverty.

In March this year Consumer Action published our report [At the front line of the cost-of-living crisis – insights from a telephone financial counselling service](#). The report provides a snapshot of the impacts of the cost-of-living crisis on ordinary people, drawing on the insights of financial counsellors and their clients, and explained how our service is responding to help people and influence financial services to create a fairer market. Several insights were gained from people receiving Centrelink as their sole source of income. We draw on our frontline service data and the expertise of our financial counsellors to respond to several questions in the discussion paper.

We have found through our casework that Centrelink payments are inadequate for people to afford basic essential needs such as food, housing, energy, telecommunications, and transport. The people we represent are excellent money managers. The problem they face is that Centrelink payments simply can't stretch far enough to pay for basic essentials, let alone for services and products that Centrepay businesses provide. This is being exacerbated by the cost-of-living crisis. The base rate of Jobseeker for a single with dependent is \$816.90 a fortnight. In a household, this needs to cover the basics including housing costs, food, electricity, transport, water and telecommunications services, particularly as prices for these essentials increase.

After the 2023 Federal Budget, the CEO of ACOSS, Dr Cassandra Goldie described Jobseeker as a "poverty payment" and said:

".... the real increases to base rates of JobSeeker, Youth Allowance and Rent Assistance will still leave more than one million people in poverty, unable to afford three meals a day and a roof over their head. Whilst every dollar counts, the \$20 a week increase to JobSeeker and related payments is well below the Economic Inclusion Advisory Committee's finding that it needs to rise by at least \$128 a week to ensure people can cover the basics...."¹¹¹

Services Australia must recognise the difficult challenges presented by inadequate social security payments and ensure that Centrepay is accordingly safe and fit for purpose. Priority access to social security payments should be considered a privilege and only accessible to essential businesses that meet high consumer protections standards. It should not be treated by industry as an opportunity for guaranteed revenue.

The design and service delivery of Centrepay needs to empower customers towards financial capability. It needs to give them all of the information, tools and direct assistance to manage their financial affairs. The system as it stands does not do this.



Centrepay customers calling our frontlines have utilities as their most common deduction, at nearly 50%. The next highest uses are consumer leases, housing costs, and Centrelink debts or repayments of advances. Approximately 9% of our Centrepay clients self-identify as Aboriginal and/or Torres Strait Islander, compared with approximately 2.2% of Consumer Action clients overall.¹

We have observed that the use of Centrepay may divert people in financial hardship from other support resources such as emergency relief or government schemes, which may provide more beneficial or sustainable hardship supports. For example, while Centrepay means bills are always paid, it renders customers ineligible for a Utility Relief Grant which generally require a customer to be in arrears, while at the same time the customer may be unable to afford their groceries or medication.

The primary issues we identify in our client files for Centrepay customers are:

- **Too many businesses are deducting money leaving the Centrelink recipient with very little** to pay for essential living expenses like food and transport.
- **Lack of customer awareness over the deductions being take out.** The reasons are multifaceted but include:
 - the lack of requirements on businesses to provide information about deductions through the Centrepay system,
 - the system design for managing Centrepay deductions,
 - the inherent 'set and forget' nature of Centrepay, and
 - Inadequate assistance to manage deductions for digitally excluded Centrepay customers.
- **Centrepay businesses denying Centrelink customers their consumer rights** to financial hardship assistance, a repair or a refund.
- **Exploitative Centrepay business practices**, such as overcharging by businesses for deductions that should have ceased, or at inflated prices for retail goods purchased via consumer leases.

Eliza's story below demonstrates several of the issues above – exploitative business practices and non-compliance with legislation, difficulty accessing redress, and a customer who did not realise they were paying thousands for goods no longer in their possession.

Eliza was referred to Consumer Action in early 2023 for assistance with a consumer lease product. She was struggling to meet the repayments and in financial hardship.

Some years earlier, Eliza had entered into two consumer lease contracts for white goods.

When Consumer Action received the documents from the consumer lease provider, it became clear that the suitability assessment was incorrect. It stated Eliza only spent around \$90 per week on essential expenses,

¹ Centrepay data is based on analysis of our financial counselling and legal practice files from July 2019-30 June 2024. Overall First Nations clients statistic is for the period January-June 2022.



and would have a surplus of more than \$300. It drastically understated her rent, living costs, and spending habits, and were not supported by the bank statements the provider had received as part of the application.

Eliza's only income was Centrelink, and the consumer lease payments came out of her payment through Centrepay. She had been homeless for a long period, after having to leave her home due to an unsafe situation and was no longer benefiting from the goods she continued to pay for. Eliza told Consumer Action that she wasn't aware her Centrelink payment was being reduced by the consumer lease deductions. She had been told by a social worker shortly before she contacted Consumer Action – at that point, the deductions totalled nearly \$5,000. Eliza had been struggling to pay for her essential living expenses, and that money could have helped her find secure housing.

Consumer Action wrote to the business on Eliza's behalf, but ultimately had to lodge a complaint with AFCA and assist Eliza through this process to achieve a resolution.

Our clients sometimes report differing experiences of Centrepay. In contrast to Eliza's story above, for some clients Centrepay is a valuable tool to manage competing demands on limited finances. It can assist some clients to prioritise payments that keep them housed, warm and fed. Centrepay may even increase customers' bargaining power with a creditor when negotiating arrears for housing or utilities. Elsie's story below is an example of where Centrepay is working to benefit a customer. It demonstrates the importance of reforms to ensure that Centrepay is fit for purpose and can continue to benefit customers experiencing financial vulnerability.

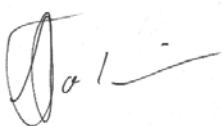
Elsie receives the age pension, and has had periods of serious ill health over the past decade. She has also had money stolen from her by immediate family members. As a result, Elsie is over \$20,000 in arrears for her local council rates, and the council has obtained a court judgement requiring her to pay – they could force her to sell the house.

After calling the National Debt Helpline in mid-2023, Elsie explained her situation to the council and they agreed to a payment plan. Elsie will pay an affordable amount through Centrepay each fortnight. The council also agreed to consider waiving the fees and interest that had accrued. This will enable her to stay in her home.

The above is an example of when Centrepay works well to keep customers experiencing vulnerability safe. We acknowledge that no creditor should ever pressure a customer into using Centrepay to pay arrears or maintain access to a service. It should only be used by the customer at their own discretion and with their consent.

Attached is our submission addressing the questions where we are able to provide useful insights. Please contact Rose Bruce-Smith at rose@consumeraction.org.au if you require further information or clarification.

Yours sincerely,



Stephanie Tonkin

CEO



Response to Discussion Paper questions

2.2 Approved goods and services

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

We are concerned with the exploitation that occurs by unscrupulous businesses, particularly those operating in the 21% of non-housing or utility deductions. The broad categories of authorised goods and services may be appropriate if customers aren't paying a premium (or 'penalty') for the goods and services as a result of using Centrepay, and if the following safeguards are implemented:

- prohibiting never-ending deductions (except for housing costs and energy);
- quarantining 25% of a Social Security recipient's Centrelink payment so that this is unable to be accessed by any Centrepay business;
- amending the Centrepay payment hierarchy to ensure that the following deductions are always prioritised – payments for housing (shelter), payments for access to utilities (energy, water, telecommunications usage - not devices), medical treatment and supplies approved by a licensed practitioner; and
- instituting a process to remove all non-essential and potentially harmful products from Centrepay.

We do not support adding any further categories for Centrepay deductions.

Are there any specific goods and services, including those already approved on the program as per the listing above, that should be excluded from Centrepay?

The Centrepay system has bloated considerably from its original intent to allow customers to prioritise their housing and utility costs. With more than 15,000 businesses now approved by Services Australia for Centrepay, it is incumbent on Services Australia to urgently and critically examine each deduction category and remove inappropriate and non-essential businesses from the system. Services Australia should not rely on consumers bringing complaints – it needs to proactively examine the conduct of Centrepay businesses in each category and the experiences of customers to determine if it is appropriate to continue receiving priority access to social security payments.

For example, the following categories might be a good starting point as they encompass a number of services not necessarily appropriate for priority access to social security payments:

- Professional services
- Social and recreational participation

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

In addition to considering each individual good or service for inclusion, Services Australia must also consider the business model and conduct of any business approved for Centrepay. For example, some business like [REDACTED]



██████ has a high proportion of Centrepay customers and appears unsustainable without it. This is a likely risk factor for harmful products and services targeted at customers experiencing financial vulnerability.

2.3 Deduction arrangements

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

Yes. Ongoing (indefinite) deductions should only be permitted for utilities and housing costs in the immediate term.

Utility and housing providers should be obligated to contact customers at least every 12 months to confirm that the deduction remains appropriate, in addition to further obligations (discussed below) on overpaid accounts.

As outlined in our covering letter, for some clients Centrepay offers a useful tool to manage a number of payments. Other clients report that Centrepay removes their level of control and oversight of their finances. For example clients have told us they are not sure exactly what their Centrepay deduction is paying for: one client paying \$150 each fortnight for her energy bills could not tell our financial counsellor if that was her current usage, to cover arrears or if her accounts were being overpaid. Another client discovered she had unknowingly paid a second energy company through her deductions.

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?

Yes. We have submitted to the Minister that Centrepay deductions should be limited to no more than 75% of a customer's Centrelink payment. It is essential that customers retain, at a minimum, 25% of their social security payment to cover everyday essentials. It is important that Centrepay empowers customers to build financial capability.

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

Business-initiated deductions have been reported to cause significant harm for Centrepay customers and in the long-term Services Australia should consider abolishing this ability. Even the largest and most trusted retailers have caused harm to customers when they establish Centrepay deductions.² If they are to remain at all, the strictest safeguards need to be imposed. Only the most essential businesses should maintain the ability to establish Centrepay deductions.

Our reading of the P&Ts is that businesses are currently able to suspend, cancel, reduce or add an end date for a deduction without the customer's consent. This leaves a gap in protections for bad actors to exploit – for example, a housing provider wishing to evict a tenant may cancel their deduction to force them into arrears,

² ['I just kept paying': Indigenous people are being exploited by businesses using Centrepay debit scheme | Centrepay | The Guardian.](#)

which the customer may not realise and be unable to pay later. This warrants further consideration by Services Australia.

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

Yes – refer to answer above.

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

Consumer Action has campaigned for consumer leases to be removed from Centrepay in light of the systemic, persistent harm that we see on our frontlines. Despite the reforms introduced in the Financial Sector Reform Bill 2022 to reduce the costs to consumers, we remain concerned that exploitative businesses use Centrepay as a business model to provide high cost and low value products to consumers.

[REDACTED] – a company that ASIC recently found was using Centrepay to cause financial harm to First Nations and regional and remote customers – recently submitted to the AAT that the removal of Centrepay has devastated its revenue.³ This indicates that consumer lease providers are actually relying on priority access to social security payments to fund their business models. This is a fundamentally inappropriate outcome of the Centrepay system.

Despite the harms occurring, removing consumer leases from Centrepay cannot occur without a long-term plan that includes assisting customers to access other payment options if they wish to keep their consumer leases, and for non-consumer lease replacement services to be made available to remote and regional communities. It is likely to require a long transitional period. Government needs to meet the need for essential goods in low-income communities. For-profit businesses should not maintain access to guaranteed income streams from financially vulnerable and underserved communities because the government does not want to meet those needs.

The longer-term solution needs to involve the NILS scheme being further funded and with specific outreach targets for First Nations and regional and remote communities.

In the immediate term, Services Australia should implement the following requirements for consumer lease providers to accept payment via Centrepay to appropriately balance access to goods and services with reducing financial harm:

- Introducing mandated target amounts for the total cost of a consumer lease, and a 2% per month fee cap on the cost of payments.
- Limiting the number of consumer leases that a business can issue to a single customer.

[REDACTED]



- Strictly limiting availability of Centrepay for consumer leases to essential consumer products, such as white goods.
- Requiring consumer lease providers to provide Centrepay with information about the recommended retail price of the goods and the base price (which may be different).
- Only approving consumer lease deductions via Centrepay where the total cost of the contract does not exceed the actual retail price by more than a small percentage.
- Requiring businesses to provide the average price of 3 comparable products where the product is not offered for sale by any other non-consumer lease business in Australia.

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?

No. Our experience is that Centrepay customers report that the information provided by Services Australia is not sufficient for them to self-manage their deductions. Digitally excluded customers need to be provided with targeted assistance.

3.1 Access to Centrepay

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

The Centrepay system provides very limited information to customers about their deductions which prevents people using Centrepay from having a clear and full picture of their financial position, or financial control. For example, we understand that payments to date cannot be seen past the start of the current financial year.

In addition to the answers provided above, information should be provided to a customer via the MyGov dashboard, text message or in written correspondence if requested, so that a customer can easily find out:

- What a deduction is for
- When it was initiated and when it will cease
- The number and total amount of payments already made.

Many Centrepay users are digitally excluded and should have physical copies of the above information provided to them by Centrepay, and also on request. Our clients have reported not receiving bills for their energy use while paying via Centrepay deductions, which prevents them from knowing:

- Their time of use tariffs
- If they’re on the best plan
- Basic information like the address they’re paying for or their account number needed to access their account online.



This information is important to keep customers informed of their expenses and allow them to plan and manage accordingly. Not receiving bills for utilities is a key contributor to overpayments (which occur frequently for utilities) and keeping poor quality plans. Centrepay customers are by nature on small, fixed incomes – losing a few hundred dollars over the course of a year can have a significant impact.

In addition to Centrepay providing information about deductions and requiring businesses to provide customers with detailed invoices, prompts should be implemented to encourage customers to review their deductions. A prompt should appear when a customer records a change of address. A simple notification in plain language, for example:

You have updated your place of residence. Do you have Centrepay deductions for your rent or gas, electricity or water bills for your previous residence? You should review those deductions to ensure they are correct. You can cancel a deduction or set an end date by XX..

If you have been deducted for expenses that you did not incur, please contact us on XX...

A prompt should also appear when customers' Centrepay deductions exceed a threshold of 50% and informing them that 25% of a Social Security recipient's Centrelink payment will be quarantined so that this is unable to be accessed by any Centrepay business.

Your deductions will take over half of your Centrelink payment. You should review your deductions to confirm they meet your needs. You can access free, confidential financial counselling from the National Debt Helpline on 1800 007 007. Mob Strong Debt Help offers free legal and financial counselling services for Aboriginal and Torres Strait Islander people on 1800 808 488.

You can cancel a Centrepay deduction by doing XX. Cancelling a deduction will mean.. If you have concerns about any of your Centrepay deductions, please contact us directly on ...

Prompts such as the above would only be effective for reaching those Centrepay customers who are technologically literate and have the overall capacity to self-manage their Centrepay deductions. It should not be relied upon to the exclusion of other improvements and customer assistance that can be offered to prevent harmful overpayments.

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

Services Australia needs to be accessible to customers 'when things go wrong' – there needs to be multiple ways of contacting the agency with prompt response times. Services Australia should conduct regular outreach trips to communities with high numbers of Centrepay customers to assist them to review and manage their deductions. Staff should be able to call up their accounts, explain the deductions, and assist them to change or cancel deductions and contact the businesses. They will likely find that 'things have gone wrong' if they start to assist digitally excluded Centrepay customers.

As part of preventing 'things going wrong' Services Australia should require businesses using Centrepay to undergo annual, independent audits on their:

- Number of Centrepay contracts



- Number of contracts per customer
- What proportion of overall revenue is derived from Centrepay
- How many Centrepay contracts have gone into arrears or overpayments.

When an issue arises about licensed goods and services (for example, community housing providers, credit, or utilities) Services Australia needs to discuss with the appropriate regulator and commit to a coordinated response. It is concerning that Services Australia took no action against Centrepay businesses when concerns were raised about their conduct by the ACCC and ASIC.⁴ Concerns, investigations and sanctions by other regulators requires consideration and response by Services Australia.

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

In regional and remote areas there are limited phone and internet services. Centrelink service centres may be hundreds of kilometres from customers and may not provide in-person assistance to use Centrepay.

Our sector colleagues tell us that many of their clients are Centrepay customers from linguistically diverse backgrounds and may speak English as a second or third language. Information therefore needs to be provided in the language of the community.

Services Australia needs to consult with First Nations communities and advocates to understand the specific factors causing harm to First Nations Centrepay customers.

3.2 Complaints

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

A complaint reporting pathway needs to be easily accessible and with clear information about what a customer can and should complain about. This complaint process should be accessible to both Centrepay users and their advocates including financial counsellors.

Financial counsellors

Centrepay does not recognise the Financial Counselling Australia Authority to Act. It does not have dedicated channels for consumer advocates to lodge systemic complaints. This creates significant additional and unnecessary workload for frontline workers, it is at odds with many other government and business sectors, and needs urgent overhaul.

Centrepay customers

Customers should be provided proactive, clear and accessible information about their entitlement to lodge a complaint. A complaint process must include a variety of communication methods including phone, email, and

⁴ [Government ignored warnings more than 100 companies may be misusing Centrepay scheme, Asic says | Centrepay | The Guardian.](#)



toll-free access. Customers also need to be informed about the outcome of their complaints in a timely and transparent manner.

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

When customers access Centrepay to change or cancel a deduction, provide a prompt that they can complain if the deduction was added or changed without their consent, or if the goods and services were not fit for purpose. Require Centrepay businesses to provide information about how to complain, both in brick and mortar stores and online, and included in receipts and invoices, similar to infringements, energy bills in almost all States and Territories and credit default notices. These should be provided in the language or languages of their customer base as well as in English.

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

Many Centrepay customers are digitally excluded and underserved. They face significant barriers in raising concerns with Services Australia. Phone lines regularly have wait times of more than an hour. Customers may not have regular access to phone services or the time to wait this long.

We also consider that the lack of enforcement of Centrepay's P&Ts against businesses drives a lack of complaints by customers and consumer advocates. The P&Ts include that Centrepay can refer a customer complaint about the goods or services provided to the relevant regulator, customer assistance body or law enforcement agency. This should not be relied on to close complaints about Centrepay businesses. If the business is causing harm and violating the Centrepay terms and conditions, Services Australia should investigate and consider removing the business from Centrepay, independent of any consideration by another regulatory body. It should not rely on other regulators to ensure that products and services are appropriate for Centrepay customers.

Lastly, Centrepay businesses engaging in unfair practices may be the only way for customers to access essential goods in low-income, regional or remote communities. These businesses have a community presence and develop strong relationships with community members. In this context, lodging a complaint with Services Australia can be fraught for the customer who may fear being cut off from an essential service where no other options exist.

4.1 Becoming a Centrepay registered business

Registration should always verify that the business is registered or holds the appropriate license for the goods or services they claim to provide.

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?

As discussed above:

- Requiring businesses to provide customers with detailed invoices.



- Requiring businesses to cancel and refund a deduction at the request of the customers.
- Requiring independent audits.

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

- When an independent audit reports concerning levels of revenue derived from Centrepay contracts and high incidences of overpayments.
- When a customer’s Centrepay deductions exceed a threshold of 50%.
- Incidence of complaints or queries from customers about the Centrepay deductions to the business. For example, if several customers contact Centrepay in a period of a few months who are confused about the deductions, it should trigger a flag for further engagement with the business to ensure compliance.
- High value deductions and multiple deductions for individual customers.
- Any referrals of misconduct from regulators, regulator investigations or regulatory/enforcement action, including any licence conditions imposed, on the business, related businesses or individuals.
- Any criminal investigations into the business, related businesses or individuals.

Shadow shopping of online and bricks and mortar businesses should be done to ensure customers are not being required to pay via Centrepay or encouraged to spend more than they intended.

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 harms from consumer lease providers have been discussed above and the restrictions Centrepay should consider placing on them, if they are to remain on the system at all.

5.1 Current compliance processes

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

Compliance with the P&Ts should be monitored by direct engagement and shadow shopping. Centrepay should also monitor its records to identify:

- If deductions are commonly cancelled shortly after they have been established – suggests customers are not entering the arrangement voluntarily.
- If businesses have multiple deductions for the same customer.
- If businesses deductions represent a large portion of a customer’s Centrelink payment.

Businesses should have to report, as discussed above, the amount of revenue they derive from Centrepay and any overpayments.



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?

Proactive notification to customers with deductions to that business, including information about how they can stop a deduction and seek a refund. Businesses should also be required by Services Australia to audit and repay any money not legitimately received (and report compliance with this requirement after repayment). Public reporting on Services Australia website and direct communications to services that regularly assist Centrepay customers.

6. Overpayments

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

Information about customers' rights to a refund under Australian Consumer Law and Centrepay P&Ts. Centrepay should be able to assist customers to request a refund from the business.

Information about the steps Services Australia has taken to arrange repayments in the case of systemic issues (i.e. Origin overpayments). Information about where the money is repaid to – we hear that some overpayments have to be returned to income management rather than the customer, which needs to be clearly explained.

How would customers prefer to be notified about overpayments?

Both Centrepay and the business in receipt of overpayments needs to be obligated to inform the customer. Notification needs to be via multiple methods (text, MyGov, mail) to ensure digitally excluded customers are reached.

What factors are contributing to customers accumulating credit with businesses? And how can the agency better support customers to avoid overpayments with businesses?

The lack of comprehensive information on Centrepay's systems means that customers are not able to access complete information about their deductions, and many customers report not receiving bills for utilities or invoices/receipts with sufficient information. These two failings need to be addressed to allow customers to manage their affairs and prevent unintentional overpayments.

We believe another major driver behind overpayments is businesses not acting in their customers' best interests and intentional noncompliance with Centrepay's P&Ts. This suggests businesses are acting unfairly, in breach of obligations under Centrepay's P&Ts, and such conduct could amount to unfair trading under a future Unfair Trading Prohibition. This conduct is particularly concerning given it is intentional and specifically harms consumers in receipt of Centrelink payments.

At the very least, there needs to be an obligation on businesses to notify customers if their accounts are overpaid and discuss what they would like to do with the funds, and enforcement by Services Australia of existing P&Ts against businesses.

We note that some clients are comfortable with overpaid accounts to a small amount for certain services, typically housing and utilities. In the latter case, overpayment in certain months can compensate where usage is



higher in e.g. winter due to heating costs. It may suit some customers to leave the funds sitting with the business for future essential costs—but this has to be the consumer’s choice.

Finally, an immediate, partial fix to prevent overpayments is to require end dates and target amounts for all deductions except housing and shelter and utilities.

7. Consultation and engagement

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

Establishing a permanent and paid consumer reference group for Centrepay with representatives who are First Nations, disability advocates, and regional and remote customers. Have open dialogue with consumer advocates who regularly assist Centrepay customers, particularly financial counsellors and advocates in regional and remote areas.

Meaningful consultation will not be possible in the long term without funding for attendees.

