



ASIC
Australian Securities &
Investments Commission

Centrepay reform consultation (March 2025)

Submission by the Australian Securities and Investments Commission

April 2025

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Overview

- 1 The Australian Securities and Investments Commission (ASIC) welcomes the opportunity to make a submission to Services Australia's March 2025 consultation on [Centrepay reform](#).
- 2 We note the series of questions and key areas for reform in Services Australia's consultation paper and discuss the following areas in this submission:
 - (a) service reasons;
 - (b) business regulation;
 - (c) deduction authority;
 - (d) incorrect payments; and
 - (e) complaint resolution.
- 3 ASIC has followed the structure of Services Australia's consultation paper to outline views and feedback on areas identified by Services Australia that are relevant to ASIC's work and remit.
- 4 Overall, ASIC supports the priority areas for Centrepay reform and the proposed changes outlined against these priority areas. [ASIC's submission to Services Australia's May 2024 consultation](#) (PDF 525 KB) on Centrepay reform indicated our views. The proposed reforms in this consultation paper largely incorporate the views we expressed in our earlier submission.

A Service reasons

Key points

ASIC supports the proposal to remove household goods leases and rentals, and basic household items, as service reasons from the Centrepay program.

We support Services Australia's proposal for mandatory conditions to be placed on businesses to set either target amounts or end dates for Centrepay arrangements. We note the suggestion that this would only apply to certain service reasons and suggest this be extended to a broader range.

We also support the policy intent of businesses being required to inform customers when their arrangements will end shortly, or when they will soon reach their target amount.

Removal of service reasons

- 5 ASIC understands that Services Australia proposes to remove specific service reasons from the Centrepay program as they represent discretionary purchases and may be high-risk services. We support the proposal to remove household goods leases and rentals, and basic household items, as service reasons.
- 6 In our earlier submission, ASIC noted that access to Centrepay by these businesses resulted in a high risk of financial harm to vulnerable consumers. We supported the removal of consumer leases as a service reason given their high costs, limited consumer benefit and similarity to credit contracts. ASIC has long held concerns about the conduct of businesses in the consumer lease sector and has taken enforcement action over time against several lease providers for misconduct, including breaches of credit laws and unfair pricing practices.
- 7 ASIC is also aware of consumer harm occurring where repayment arrangements entered between businesses and customers through Centrepay deductions caused financial hardship. We have taken regulatory action against businesses offering these arrangements for the purchase of household goods, including the following actions:
 - (a) ***Coral Coast Distributors (Cairns) Pty Ltd (trading as Urban Rampage) (Coral Coast)***—In April 2024, ASIC issued a final stop order under our design and distribution obligations regime, preventing Coral Coast from entering into Centrepay credit arrangements in its Urban Rampage stores. Coral Coast operates 10 Urban Rampage stores in regional and remote locations across Western Australia, the Northern Territory and Queensland, selling clothing and household items. Coral Coast offered credit through deferred deduction arrangements with repayments made via Centrepay. ASIC found that these arrangements were unsuitable for

consumers in Coral Coast's target market because they were unlikely to be consistent with their financial situation and placed them at risk of financial hardship. After entering into Centrepay credit arrangements at Urban Rampage stores, many consumers found themselves without money to pay for essentials. This decision is currently under review: see Media Release [\(24-084MR\)](#) *ASIC orders end to Centrepay credit arrangements in Urban Rampage stores* (26 April 2024).

- (b) **Indy C Fashion Accessories Pty Ltd (Indy C)**—In November 2024, ASIC made a final stop order preventing Indy-C Fashion Accessories Pty Ltd (Indy C) from continuing to offer Centrepay credit arrangements for failure to comply with their design and distribution obligations. Indy-C runs a retail store in Katherine in the Northern Territory and provided credit arrangements to First Nations consumers to purchase clothing and household goods via deductions from their Centrelink benefit payments. ASIC considered Indy C provided the credit arrangements without considering if they were consistent with the consumer's objectives, financial situation and needs. This decision is currently under review: see Media Release [\(24-263MR\)](#) *ASIC orders stop to Centrepay credit arrangements offered by Northern Territory business* (29 November 2024).

Customer safeguards

- 8 As noted in our earlier submission, a common cause of overpayments by customers is indefinite or ongoing deduction arrangements. We support Services Australia's proposal for mandatory conditions to be placed on businesses to set either target amounts or end dates for Centrepay arrangements. Schedule 1 of Centrepay's Terms of Use suggests that these mandatory conditions would only apply to certain service reasons.
- 9 ASIC suggests Services Australia could consider whether it is reasonable for a broader range of service reasons to comply with such mandatory conditions and whether a customer should have input on which condition is suitable for their situation (i.e. either to have set target amounts or end dates for Centrepay arrangements). Where an expense is anticipated to be ongoing, such as rent, and the risks posed to customers with a set end date or target amount for that deduction (e.g. missing payments, falling into default) outweigh the risks of continuing repayments indefinitely, those circumstances may indicate the mandatory condition is not appropriate for that service reason.
- 10 ASIC also supports the policy intent of businesses being required to inform customers when their arrangements will end shortly, or when they will soon reach their target amount, through multiple communication channels to prevent overpayments. Businesses would be able to monitor the effectiveness of specific communication channels, depending on their customer base, with such monitoring informing future communications.

B Business regulation

Key points

ASIC supports the proposal to strengthen the Centrepay application process and the introduction of policy and compliance measures to provide an additional layer of protection for customers.

We support Services Australia developing their resourcing and expertise in this area, given the high potential for consumer harm when businesses misuse the Centrepay program.

- 11 This reform process and earlier reviews of the Centrepay program highlight that typical Centrepay customers may experience higher rates of financial vulnerability. In light of this, ASIC supports the development of robust policy, implementation and compliance practices by Services Australia to prevent harm to these customers.
- 12 ASIC strongly supports the proposed strengthening of the Centrepay application process and introduction of policy and compliance measures to provide an additional layer of protection for customers. We note that under the more comprehensive application process some businesses may benefit from guidance or support from Services Australia to ensure they understand their obligations and what they are required to do.
- 13 We also support this measure being imposed on new business applicants and businesses already accessing the Centrepay program.
- 14 In Section 3.1 of the consultation paper, Services Australia states it is ‘not a consumer regulator’, except in this specific circumstance of monitoring business compliance with Centrepay obligations. ASIC supports Services Australia developing its resourcing and expertise in this area, given the high potential for consumer harm when businesses misuse the Centrepay program.
- 15 We note that the Centrepay policy relies heavily on businesses and their employees exercising good faith in assessing a customer’s understanding of both the goods and services being offered and the appropriateness of establishing Centrepay deductions. At times, this may present a conflict for the business, for example, when a sufficient understanding by a customer may result in the customer deciding not to proceed with a purchase (for a variety of reasons). This highlights the importance of compliance and enforcement, so we support Services Australia’s increased focus on compliance and complaints as part of the reform process.

- 16 ASIC notes this will be particularly important in locations where businesses are making decisions based on their customers' levels of understanding, which also relies on strong knowledge of their specific customer base and effective training of employees (e.g. in relation to identification of language barriers, knowledge of financial capacity and literacy levels, awareness of customers experiencing vulnerability).

C Deduction authority

Key points

ASIC supports the proposal for a mandatory deduction authority form but suggests it could be simplified to improve accessibility and be complemented with a consumer education campaign.

We suggest that businesses consider each customer's individual circumstances when providing information, especially their cultural background and literacy level.

We also suggest that Services Australia alerts businesses to relevant privacy legislation for recording information by individuals and that compliance be documented in the business policy.

Standard Centrepay deduction authority forms

- 17 ASIC supports Services Australia's proposal to implement a mandatory deduction authority form to be used by all registered Centrepay businesses, establishing a standardised approach to deduction arrangements. However, we note that the form could be further simplified to make it easier for customers to understand.
- 18 We support the additional information provided to customers as part of this standardised process about where customers can seek support, including how to contact Services Australia or a financial counsellor.
- 19 ASIC suggests that the change to a standardised deduction authority form could be complemented with an ongoing consumer education campaign for both customers and consumer advocates, such as financial counsellors. This information could explain how the form works in practice so that customers and consumer advocates have an opportunity to engage with the form early on and raise any questions they may have with Services Australia. This would also support customer understanding in the long term, given the move to a standardised approach.
- 20 We also suggest that businesses be encouraged to consider each customer's individual circumstances when providing this information to customers. Relevant circumstances would include, for example, a customer's literacy level, cultural background, whether English is the customer's first language, and other barriers to understanding the information provided to them. If the majority of customers are from a specific customer base or consumer cohort (e.g. First Nations consumers), the business should consider how its processes in this area can best meet the needs and objectives of the customer base.

- 21 Schedule 3 of Centrepay's Terms of Use provides a proposed standardised deduction authority, including Part E, which outlines the criteria businesses must meet before completing the form and commencing the arrangement. In line with paragraph 20, Services Australia may wish to consider whether it is appropriate to include an additional note to confirm that the business has taken reasonable steps to ensure that the customer has understood the information provided to them and the arrangement outlined in the form.

Verbal Centrepay deduction authorities

- 22 We note that this standardised process allows for a verbal deduction authority to be given by the customer, without a requirement to report this to Services Australia. It is unclear how Services Australia would be aware which deductions are verbally authorised and any requirements of record keeping in such circumstances (e.g. the length of time a recording should be retained by the business).
- 23 Services Australia could consider a method for businesses to record verbal deduction authorities, which could also be used by Services Australia to indicate increases or the overall proportion of deductions made by a business in this way to inform businesses' risk profiles and any compliance reviews.
- 24 ASIC also suggests that Services Australia should alert businesses to the relevant privacy legislation and state and territory legislation on recording information by individuals. Compliance with the legislation should be documented in a policy of the business, so that Services Australia can be confident that businesses understand the need to comply with other laws when undertaking the verbal deduction process.

D Incorrect payments

Key points

ASIC supports the suggested process on incorrect payments. We note an ongoing risk, which could be addressed by Services Australia strengthening its oversight of total purchase amounts, so that it is not reliant on businesses identifying and self-reporting instances of incorrect payments or overcharging customers.

We support the requirement for businesses to alert and return positive balances to impacted consumers.

- 25 ASIC supports the process outlined in the draft Centrepay Terms of Use on incorrect payments, including for businesses to identify and rectify incorrect payments, provide timely notification and remedial action to the customer, and notify Services Australia where refunds cannot be processed, or customers cannot be contacted.
- 26 We suggest that businesses be supported to holistically approach issues of incorrect payments and informing customers in a way that meets the needs of those customers (e.g. using multiple communications channels).
- 27 ASIC recognises that there is an ongoing risk in Services Australia not having oversight of purchase amounts for goods and services obtained, against total deduction amounts. Without this information, knowledge and awareness of overpayments or incorrect payments rely entirely on a business becoming aware of the issue, addressing it, and notifying Services Australia. Services Australia may wish to consider strengthening its oversight by requiring businesses to disclose or advise Services Australia of total purchase amounts (where ascertainable) to manage this risk and strengthen incentives for businesses to act in a timely manner. This information could also inform Services Australia's compliance and enforcement strategy.
- 28 We support clause 8.4(a)(vii) in the Centrepay Terms of Use that businesses must inform customers about their right to have positive balances in their account paid back to the customer on demand. ASIC has seen instances where businesses using Centrepay have allowed customers to build up significant positive balances that are not assigned to the purchase of a particular product or service. Where this occurs, ASIC supports consumers having the right to have those positive balances returned to them efficiently, rather than consumers being required to use positive balances to make purchases through the Centrepay business. This can result in consumers being forced to spend money on items that they do not want or need.

E Complaint resolution

Key points

ASIC supports the proposal for businesses to establish complaint policies and suggests Services Australia could consider additional requirements to assist customers with the process of escalation when necessary.

We also suggest Services Australia considers a requirement for a complaints register to be provided to Services Australia at regular intervals for its oversight.

- 29 ASIC agrees with Services Australia's proposal to require Centrepay registered businesses to have minimum complaint policies and procedures in place to support customers in making a complaint. ASIC supports the detailed steps that businesses must take as outlined in the Centrepay Terms of Use.
- 30 Section 18.1 (c) of the Centrepay Terms of Use notes that a business's complaints process must include a written or oral response to the customer's complaint and that the complaint is resolved, where practicable, within 20 business days after it is made. ASIC suggests that Services Australia could consider additional requirements, such as providing information to the customer on options available if they are not satisfied with how their complaint was handled by the business (e.g. how to contact Services Australia and make a complaint about the business). Further, where an oral response is provided to a customer, the business could also be required to confirm the outcome in writing to ensure comprehensive business records are retained should they be requested at a later date.
- 31 While businesses must report to Services Australia when they are aware that a customer is not satisfied with a complaint outcome, these situations may not always be clear to a business, and it is useful to provide a clear option for customers to consider. This allows affected customers to receive a response to their complaint and understand their options in escalating the complaint if it is not resolved in an appropriate manner.
- 32 We understand that businesses must keep a record of all complaints for a period of seven years and that Services Australia may request copies of complaints. ASIC suggests it may be useful for businesses to compile all complaints into a register to be provided to Services Australia periodically (e.g. every six months) to help inform Services Australia's compliance activities and identify high-risk businesses.

Key terms

Term	Meaning in this document
Centrepay business application form	The proposed new business application form for Centrepay-registered businesses
Centrepay Policy for Businesses	The proposed new Centrepay Policy for Businesses
Centrepay reform	Services Australia's work to reform Centrepay
Centrepay Terms of Use	The proposed new Terms of Use for Centrepay
consultation paper	Services Australia's March 2025 consultation paper from the second round of consultations
discussion paper	Services Australia's May 2024 discussion paper from the first round of consultations