



Financial Rights

LEGAL CENTRE



MOB STRONG

DEBT HELP

Submission by the Financial Rights Legal Centre

Services Australia: Centrepay Program & MDT Branch | Working Age And Pension Programs Division

Centrepay Reform Discussion Paper

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About the Financial Rights Legal Centre

The Financial Rights Legal Centre is a community legal centre that specialises in helping consumers understand and enforce their financial rights, especially low income and otherwise marginalised or vulnerable consumers. We provide free and independent financial counselling, legal advice and representation to individuals about a broad range of financial issues. Financial Rights operates part of the National Debt Helpline, helping NSW consumers experiencing financial difficulties. We also operate the Insurance Law Service which provides advice nationally to consumers about insurance claims and debts to insurance companies, and the Mob Strong Debt Help services which assist Aboriginal and Torres Strait Islander Peoples with credit, debt and insurance matters.

Financial Rights also conducts research and collects data from our extensive contact with consumers and the legal consumer protection framework to lobby for changes to law and industry practice for the benefit of consumers. We also provide extensive web-based resources, other education resources, workshops, presentations and media comment.

This submission is an example of how CLCs utilise the expertise gained from their client work and help give voice to their clients' experiences to contribute to improving laws and legal processes and prevent some problems from arising altogether.

About Mob Strong Debt Help

Mob Strong Debt Help is a free nationwide legal advice and financial counselling service for Aboriginal and Torres Strait Islander people. The service specialises in consumer finance (such as credit cards, pay day loans and car loans), banking, debt recovery and insurance (including car, home, life and funeral insurance).

Since 2016 Mob Strong Debt Help has been led by Aboriginal and Torres Strait Islander staff, supported by all our colleagues at Financial Rights. Our team is small but dedicated, and includes solicitors, policy advocates, financial counsellors and a student financial counsellor.

Introduction

Thank you for the opportunity to give feedback on the Centrepay Reforms. Financial Rights Legal Centre (**Financial Rights**) and Mob Strong Debt Help (**Mob Strong**) would first like to emphasise that we believe Centrepay is an invaluable service provided by Centrelink for social security recipients. The financial counsellors as well as the solicitors in our Centre agree that Centrepay is an important financial self-management tool for disadvantaged consumers and we strongly support its continued operation.

That being said there are clearly some serious and systemic reforms that need to take place within Centrepay to ensure that it is a tool that helps customers and does not expose them to practices which undermine their financial resilience rather than support it. At its worst, Centrepay has been a vehicle for exploitation by unscrupulous businesses.

What we have seen in our experience are rogue businesses that have worked the current Centrepay system's loopholes and digital bureaucracy to exploit vulnerable consumers, especially First Nations consumers by tapping their Centrelink. What is needed here is not just to take action against these rogue traders to create a public deterrent, but to also provide more transparency and control to consumers so they can more effectively direct how their money is spent.

We have provided many case studies to Centrepay previously so we have not chosen to include further case studies here except for a couple of very recent client stories which went to particular points in this submission.

Policy Intent

Centrepay Objective

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

Our organisations strongly support the reforms outlined in the Discussion Paper. We have some comments relating to the 7 areas and we also believe some areas are missing.

Safeguards and protections for customers to reduce financial harm

Safeguards should include active referrals from Services Australia to financial counsellors or legal assistance when there is evidence of harm.

Ensuring the right products and services are available through Centrepay.

Centrepay should improve the financial resilience and well-being of Centrelink recipients. It is important that the rights products and services are available to achieve this purpose, and that they are appropriately prioritised with this aim in mind.

Identifying high-risk products, services and business practices that do not align with the intent of the program.

Identifying high-risk products is important but there must also be a focus on the next step of removing these products from the Centrepay platform. Centrepay needs more teeth so that it can enforce its own policies and take quick and decisive action when there is evidence of consumer harm. There should be penalties for businesses that are non-compliant including suspension or expulsion from using Centrepay.

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

Centrepay transactions and deductions need to be much more transparent and accessible for customers. Centrepay cannot be a tool for customer financial empowerment or self-management if customers cannot easily access and understand their transaction data. There needs to be greater transaction detail showing payments and the initial amount charged for a good. Wherever feasible, deductions should be itemised and have a target amount or date. Customers should be able to see a receipt or the goods that have been purchased attached to the Centrepay deduction. This information should be accessible from a Centrelink Office or via MyGov or with the assistance of a Financial Counsellor. Customers also need to be able to change deductions easily.

Requirements and obligations for businesses using Centrepay

Access to Centrepay should be regarded as a privilege for businesses. There should not be an assumption that a business has a right to use Centrepay until proven unfit. The onus should be the other way around. Access to the Centrepay system gives a business direct access to the wallet of some of Australia's most vulnerable cohorts and priority over their other expenses. Historically the system has been used by some providers to extract millions of dollars in profits for poor value services that people could ill afford. This is a privilege that should not be given lightly.

There must also be repercussions and mechanisms for enforcement when businesses breach these requirements and objectives, and the capacity to take quick and decisive action to prevent further harm and create a public deterrent.

Centrepay assurance framework & Complaint and escalation pathways for customers and third parties.

These must be made transparent and accessible. The current complaints process has too many barriers for customers. Complaints and escalation pathways for customers need to be visible in stores and there should be accessible mechanisms for making complaints by a variety of methods rather than only online, such as signage at their local Services Australia office.

Approved Goods and Services

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

The list is comprehensive. Our organisations don't have anything else we would add.

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 following categories of goods and service should be excluded, or treated with extreme caution:

Payday lenders, Wage Advance or private debt collection

Centrepay must not be used to repay high cost loans or wage advance contracts (whether legally regulated as credit or not). The harm caused by these high-interest and high-cost businesses is well documented and Centrepay should not be used to give these companies priority access to people's Centrelink benefits. Debt collectors should not be given access to Centrepay. No Interest Loans (NILs) should be actively promoted by SA as a more appropriate market replacement.

Consumer leases

Consumer leases have been a source of problems for vulnerable consumers for many years. While new laws may have been enacted that may curtail the worst of the exploitative practices, Centrepay was never intended to support interest bearing credit products. The sector has a long history of poor conduct and regulatory non-compliance.

Case study: Gloria is a young First Nations mother living in remote Queensland. One day, Gloria was with her family and a salesman knocked at the door. The salesman offered Gloria a TV with protective cover for her kids. All she had to do was pay \$83 a fortnight through Centrepay. The salesman was not offering this TV for sale by cash or direct debit. Gloria needed a TV for her children and agreed through digital signature

on a tablet. Gloria did not realise two important things. First, the recommended retail price of the TV and protector was \$1457 but the contract amount over three years was over \$6700 Secondly, she signed a Centrepay deduction form which had no end date or target amount. Gloria could have been paying forever had we not intervened.

Repeated complaints about misconduct and non-compliance with the Centrepay Policy and Terms made about consumer lessors have not led to meaningful action by Services Australia. Their continued presence and abuse of Centrepay is an embarrassment to the government and a potential liability and it will be very onerous to remove consumer leases businesses one-by-one from the system under the current administrative law arrangements.

We believe these businesses have a high likelihood of causing harm to vulnerable consumers and should have strict requirements and obligations applied to them by Centrepay if they are to be permitted to use this payment platform.

- Mandate target amounts – the National Credit Code was amended in June 2023 to prohibit indefinite consumer leases (section 179VC). Centrepay currently does not know what the total cost of a lease is as they do not collect this information yet consumer lessors are allowed to place consumers into indefinite Centrepay arrangements. We know Centrepay has recently implemented a \$250 cap on household goods. We strongly encourage Centrepay to grant very few exemptions to this cap for consumer lease companies and to require re-application for exemptions every 12 months.
- Mandate appropriate documentation/information - require consumer lease providers to provide Centrepay with information including: the recommended retail price of the goods, base price and total cost. The *Financial Sector Reform Act* requires these to be recorded however Centrepay does not track any of it. Centrepay cannot monitor whether businesses are providing poor value goods and services if they do not collect any relevant information.
- Introduce a 2% per month fee cap for Centrepay eligibility. Lessors may charge 4% per month under the new legislation, however a credit product on Centrepay should be materially better value than the commercial lease market as it is sanctioned by the Australian welfare system. This would still allow an interest rate over that charged by most credit cards. Any higher rate will entrench financial hardship.
- Remove companies that are under investigation for misconduct or consumer harm by ASIC, including if the company agrees to enter into undertakings with ASIC.
- Consumer leases should only be available through Centrepay for essential household goods such as white goods, devices used for educational purposes and other items essential support a reasonable standard of living.

Services Australia should also proactively encourage the use of NILS for these purchases or the exploration of other appropriate and affordable options, rather than consumer leases.

There should be a focus on improving access to NILS and similar programs in remote First Nations communities and including those communities in the planning and operation of the services to ensure cultural appropriateness and accessibility.

We are aware that for some regional and remote communities, removing access to Centrepay for consumer lease companies would leave people with little to no access to essential household goods. At the same time, the rip offs occurring in these communities via consumer leases are appalling and need to be prevented. It is a matter of national shame that the government can facilitate an arrangement whereby people on very low incomes are paying up to five or more times the retail price. The above measures should be introduced as a minimum. If it is decided to remove leases altogether, the government needs to work in consultation with First Nations communities to address any resulting gap in access to essential household goods.

Utilities

Utilities should only be able to use Centrepay as a payments platform for usage costs, not for the purchase of high-cost products like top range phones and portable devices, solar panels, etc. In both cases (telecommunications devices and solar panels) we see egregious cases of systemic mis-selling.

Clothing and food

While we support the cap of \$250 on the household category, we would also like to see the category definition pared back to essential household goods. Food and clothing providers should not be authorised to use Centrepay.

Social and Recreational

We have serious concerns about religious organisations in this category using Centrepay to set up unaffordable tithe arrangements with their churchgoers. We also have concerns about community loans or emergency loans being offered in this category. We have no visibility whether there are affordability checks taking place or whether these arrangements are licensed.

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

Before a good or service is authorised to use Centrepay, Services Australia should be required to assess whether:

1. the overall class of product or service is suitable given the objectives of the system and has appropriate safeguards, and
2. whether the business applying for access is safe and has appropriate governance arrangements in place to comply with Centrepay's rules.

Services Australia and Centrepay must take a much more active role in vetting potential businesses before granting them access to vulnerable consumer's Centrelink benefits. Are there any consumer complaints made against them? Have they been the subject of a regulator investigation? Are they selling goods of a low value for inflated prices? Are there low cost and safe alternative payment methods that customers could use instead? Do the goods or services support the objective of financial empowerment and self-management?

Businesses using Centrepay avoid significant risk of customer default by getting priority access to the customer's income. This has significant commercial benefit to the business and leaves customers at considerable risk of overcommitment because the business is not motivated to confirm their ability to afford any repayments. Because of the lack of understanding or ease of access to stop Centrepay deductions, consumers can feel stuck in these arrangements and the business can have dominant market share to prevent more effective businesses from entering the local market.

Products and services offered through Centrepay should be lower cost and vetted as safe. We frequently see businesses using the lack of transparency in the system to charge consumers well above market prices or competitive interest rates.

Deduction Arrangements

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

We believe the current Centrepay deduction types do provide sufficient flexibility to support customers in managing their finances, however there need to be more restrictions on the types of deductions that can be established for specific goods and services.

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

Yes, more restrictions need to be in place when it comes to which deduction types can be established for specific goods and services. The available options for setting up Centrepay deductions can pose problems for people in remote and regional areas who may have limited phone and/or internet access, difficulties with transport, and limited or no access to a support worker. Customers do not have enough visibility of their ongoing deductions and we have seen many instances of harm that have come from ongoing deductions.

Transport

Deductions for transport services must be re-confirmed periodically or after a certain threshold amount of positive credit has been reached. While the need for transport services is critical in remote areas where public transport is not available, we have seen many examples of ongoing deductions being set up which result in large customer overpayments. Customers might move, get access to a private vehicle, or cease needing access to the same transport routes and don't realise that their Centrelink income is still being deducted. We have also seen unethical conduct such as taxis taking multiple passengers on one trip to the same location and charging every member of the group for the full fare for the journey through Centrepay.

We recommend that deductions for transport services need to be re-confirmed quarterly or every six months. Customers should have the opportunity to sign a new agreement and consider the affordability of the deductions going forward.

Medical equipment and other long-term lease arrangements

Medical equipment that has been purchased should always have a target amount. For equipment or items that are being leased, these arrangements should need to be re-confirmed every 12 months in case the item is no longer needed or no longer working.

All forms of loans should always have a target amount. Whether a NILs loan or a community loan, these credit products should never be agreed to without a clear total amount of principal and interest that will need to be repaid.

Housing, energy and telecommunications

While the need for ongoing deductions is evident for these essential services, we still submit that deduction arrangements should be revisited and reconfirmed periodically. Residential lease and telecommunication arrangements generally last 12 months, at which point the Centrepay deduction arrangement should need to be re-signed.

We do not want deductions to simply cease at 12 months, as this can lead to arrears building up and harm to customers who do not have clear visibility of their Centrepay deductions. Nevertheless, businesses should have some accountability of making contact with customers, checking the suitability of ongoing deductions and get informed consent for deductions to continue. Businesses will need to keep records of these reconfirmation interactions.

Deduction hierarchies

Our organisations strongly support 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), medical treatment and medical supplies approved by a licensed practitioner.

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 strongly support excluding 25% of a customer's Social Security payments from deduction so that it is unable to be accessed by any Centrepay business. This amount of income should be available to the customer to pay for day-to-day expenses and to develop financial self-management skills. The 25% will need to consider any income also being deducted by income management arrangements.

In order to ensure this quarantine arrangement does not cause harm, Centrepay will need to introduce a fee-free SMS alert to the customer if a proposed deduction will mean that total deductions will exceed a certain percentage of their Centrelink payments (for example at 50%), telling them their deductions exceed that percentage and will not be permitted to exceed 75% and including referral information about the National Debt Helpline and Mob Strong Debt Help if they need assistance with money matters.

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

No, a customer should always be able to complete the deduction form, be able to understand what they are signing and given information to assess whether the payments will be affordable. There should be a new form with each new purchase. Centrepay deductions are a form of credit, but the majority of businesses authorised to use Centrepay do not have Point of Sale responsibilities under the NCCP Act and thus have no responsibility to ensure the suitability of an arrangement.

If a customer needs support filling out a deduction form, they should be referred to a free financial counsellor or a Services Australia support centre.

Changes to deduction arrangements for energy and accommodation providers can be managed by businesses when a usage change or rental cost change occurs if there has been a recorded verbal authority from the customer for each change.

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

See above.

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

As mentioned above, Centrepay should revisit the payment hierarchy of deductions to ensure that payments for housing, utilities and medical treatment are prioritised.

Centrepay should prohibit increases to deductions or changes to end dates without consultation and free, prior and informed consent of the customer.

Centrepay businesses must provide the details of a purchase on receipts. Receipts must be attached to the Centrepay Agreement and the use of the 'miscellaneous' category should be avoided as much as possible. Customers and advocates need the ability to identify and describe specific items purchased so that they can easily return defective or unsuitable goods.

As discussed above, in light of the propensity for severe harm, consumer leases should be subject to special conditions in order to qualify for deduction arrangements through Centrepay as outlined above. The fees charged should be capped. The number of consumer leases that a business can issue to a single customer should be limited, and businesses should only be able to issue consumer leases for essential household goods.

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?

There must be clear information in stores for customers to know how to make a complaint and their rights around cancelling or amending deductions. This information needs to be in plain English. Customers need to be empowered to understand the journey of their money and what they can do to protect their money.

A business in a community where English is not the first language must have in language instructions in writing for customers to read prior to signing up.

Customer Experience

Access to Centrepay

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

Centrepay app

We recommend the development of a separate standalone Centrepay app which provides customers with view only access to their ongoing and past deductions. A separate standalone app would help customers avoid the MyGov labyrinth. The app would only allow customers to monitor deductions or report issues and make complaints. Customers would not be able to commence new deductions, cancel deductions or affirm deduction changes through the app. The user can register on the app with their Customer Reference Number but only the last four digits can only be displayed to protect personal information. While these additional functions could be useful they would need to be subject to more friction than viewing transaction in order to minimise the risk of abuse and fraud by other parties.

Alternatively, Centrelink could add a simple and accessible channel in its existing Express Plus app specifically for Centrepay users. There should be less than three clicks for a user to get from the home screen of the app to their Centrepay deductions list.

Receipts

As mentioned above, receipts for every purchase should be attached to the relevant deduction agreement. Customers need to be able to return defective or unsuitable goods and advocates need to be able to see itemised purchase receipts when they are helping clients understand and prioritise their deductions, including assessing their affordability.

Text messages

We strongly submit that customers should receive a text message (SMS) from Centrepay whenever a new deduction has commenced. The message should include the amount of the payment, the frequency of the payment, and the amount of Centrelink income that is still available after the payment is taken. This information would reduce the risk of financial abuse or scams. It would also help customers develop more financial capability and inform their spending habits.

Case study – Liam is a young First Nations man from East Arnhem land in Northern Territory with low literacy and living on Centrelink benefits. Liam heard from family

members that a new shop opened up in town and they were giving away free clothing and household goods. All he had to do was provide his Centrelink Customer Reference Number (CRN). Liam goes to the store and provides his CRN to the store clerk. The store clerk tells Liam to sign something without explaining it to get clothing and he does. Liam picks out a few shirts, shorts and some pants and takes them home. After a few weeks, Liam finds out he has a debt that is hundreds of dollars he can't afford but is coming out of his Centrelink before it gets in his account. An SMS notice would have informed Liam that the goods he had just acquired were not free while he still had the opportunity to return them.

When a person changes from one type of Centrelink payment, their Centrepay arrangements should stay in place as much as possible.

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

Digital exclusion

For customers that are digitally excluded it needs to be easy to get a hard copy of their deduction statements sent to them by post.

My Gov is a digital barrier for many customers. Very common problems like password loss, lost access to a device, change of phone number/email or a person having no phone number, or no email address makes accessing deduction information impossible.

One way that Centrepay could support customers that may have been sharing a device, have lost a device or simply cannot afford one is to give them access to a basic telephone or tablet with a rubber cover for protection. This would create a level foundation for all customers when it comes to digital access.

Complaints

Customers need to be able to easily make complaint about Centrepay businesses, and they need to have those complaints acknowledged and responded to. Customers need to be able to have faith that Centrelink will take enforcement action when complaints are well-founded. Complaints should be recorded and coded for analysis even when there is insufficient evidence to warrant any action so that patterns of complaints against the same provider can be tracked and analysed.

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

Stores in communities where English is second or third language should provide an in-language explainer of Centrepay approved by Centrelink. This explainer should include information about the risks of setting up unaffordable deductions, how to manage your deductions, how to get help from a financial counsellor and information about how to make a complaint.

Centrelink and Centrepay representatives need to go to communities with a high volume of monthly Centrepay transaction to address issues and complaints in person. This would reduce harm to many First Nations communities over extended periods and give Centrepay staff invaluable insights into making sure the service is working to support the end users as intended.

Financial counsellors need to be able to access a view-only deductions statement for their clients. This statement needs to include itemised transactions (deductions and purchases) to better inform, educate and assist their clients for a fair and just outcome.

Complaints

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

There needs to be a specific complaints channel (and phone number) for Centrepay complaints. The responsibility needs to rest with Services Australia to investigate complaints against Centrepay businesses, fix errors and claw-back overpayments.

Financial counselling authorities need to be accepted throughout the Centrepay complaints process. Centrepay also needs to do a much better job reporting back to customers and their advocates the outcomes of complaints. Advocates should have their own channel for making complaints to Centrepay on behalf of their clients.

Systemic complaints need to be more transparent. Information about the compliance failures of Centrepay businesses will aid in customer choice, empowerment, and self-management. Businesses need to collect and report standardised information about all complaints from Centrepay customers.

If a business has a high percentage of First Nations customers, then complaints about cultural competency are important and should be addressed by Services Australia.

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

As discussed above, when a purchase is made the customer should get a text that sets out the payment details but also includes information about how to make a complaint. *"If you have concerns about this purchase or would like to complain about this business call XXX or visit LINK"*

An easy complaints mechanism should also be incorporated into the Centrepay app (or Centrepay channel within the Centrelink Express Plus).

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?

Feedback we have received from Centrepay customers is that long wait times when customers call Centrelink, or the failure to get through to a person at all, affects peoples' willingness to raise concerns about Centrepay arrangements. There are also concerns about Centrelink not having adequate First Nation language interpreters available.

Another barrier that impacts on peoples' willingness to raise concerns is the belief that little will come of it. Complaints should be believed and investigated. Serious complaints should trigger more frequent audits and lead to enforcement action. Customers that make complaints need to receive a report back about the outcome of their complaint.

Vulnerable customers might also have fears that they will be found to have done the wrong thing or that a debt may be raised against them.

Business

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 display information in store about customer rights to make a complaint about a deduction. Businesses should have effective internal dispute resolution procedures and customers should have access to free and independent external dispute resolution.

Businesses should be required to consider the suitability and affordability of major purchases and deduction arrangements and refer customers to a financial counsellor if there are concerns. Businesses should also need to verify that a customer's CRN matches their ID when agreeing to a new Centrepay deduction.

Businesses should have very simple processes for notifying customers when their account is in credit and for refunding overpayments promptly upon request. There should also be a very clear rule in Centrepay contracts leading to suspension from signing up new customers for certain types of breaches after a defined number of strikes (including for failure to act promptly to refund an amount in credit).

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

Does the Target Market Determination for the good or service match the customer base using Centrepay (for products & services regulated by ASIC)?

Is the business misrepresenting themselves in a way that harms the population of that area? For example, implying they are Aboriginal owned when they are not.

Does the business fall into a category where the likelihood of customer harm is high? For example, consumer leases, private taxi services, community loans, or household goods.

Has the business, or any of its directors, been subject to previous regulatory action?

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

Communities expect Centrepay businesses to be subject to regular audits. Audits should be random. Businesses that have been the subject of customer complaints or a previous unsatisfactory audit should be subject to onsite audits as a priority.

Communities also expect businesses that have been authorised to use Centrepay to offer fair and reasonable pricing. Business should offer services that are accessible and culturally appropriate.

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?

Services Australia should consider introducing self-funded independent audits of businesses that have shown a track record of non-compliance.

Businesses that provide utility or accommodation services should be obligated to inform a person with ongoing Centrepay deductions if a transaction is no longer occurring or was stopped for some reason. This communication should happen in real time by text, email and snail mail to avoid a debt growing or potential eviction or disconnection as a result of unknown payment stoppage.

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

One red flag that the agency should be monitoring for is the percentage of profit that a business makes through Centrepay. A business's profit and loss statement should be part of its annual review with the agency and if more than 50% of its income comes from Centrepay customers then on-site audit should be triggered.

Others include:

- o a significant unexplained increase in the number of consumers with a deduction with a specific business;
- o failing to promptly and actively refund overpayments to consumers;
- o failing to promptly respond to complaints;
- o no review or changes to business practices after complaints
- o a threshold number of complaints is reached;
- o reactivating a deduction without the customer's consent after cancellation;
- o a breach of the terms and conditions;
- o a breach of the law;
- o exceeding a threshold of alerts where clients are exceeding limits;
- o AFCA or ASIC complaints and other regulatory or non-regulatory compliance issues.

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?

If there have been previous compliance issues with a certain business or if ASIC has brought enforcement action against business, any other businesses with the same model may need to be excluded. This would be especially true for new businesses that get established with the same company directors of previously non-compliant businesses (phoenix companies).

We also submit that business models that do not have an independent external dispute resolution scheme, don't have a reliable or established complaints process, or don't meet ASIC's TMD requirements should be excluded.

Centrepay should also cooperate with AUSTRAC review any major transactions between the Centrepay business and related bodies corporate or other individuals of interest. It is concerning for these businesses to avoid paying back overpayments if the funds have been transferred to other companies, such as through a loan, or worse if they are transferred overseas. Centrepay should immediately suspend all Centrepay deductions if the business is attempting to move any Centrepay monies overseas.

Centrepay should also exclude any business model that involves charging substantial fees or interest on the underlying product or service (like Wage Advance).

Compliance

Current Compliance Processes

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

Complaints and audit outcomes should be key metrics to monitor businesses against. Centrepay should also monitor businesses against regulatory and EDR outcomes and should engage closely with ASIC in relation to evaluating any Target Market Determinations.

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?

The outcomes of well-founded and verified complaints should be transparent. Any outcomes which involve enforcement against a business because of non-compliance with Centrepay rules should be transparent and publicly available. A list should be regularly updated of compliance activities in the Centrepay app and circulated to financial counsellors.

Overpayments

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

Centrepay should be informed by a business of overpayment once it has surpassed 2x bill cycles and of the actions taken to inform the customer. The overpayment should be noted on the customer's Centrelink file as a flag in case the customer comes into a Services Australia customer centre or further payments suspended until the customer makes contact or the account goes back into debit.

If a business has not taken reasonable steps to inform the customer of the overpayment this should be considered non-compliance with the Centrepay rules and should attract enforcement action.

How would customers prefer to be notified about overpayments?

If the business is a utility or accommodation provider the customer should be notified of the overpayment after it has surpassed two billing cycles. At this point the customer should be notified by text, email and written snail mail (in-language if appropriate). Contact attempts should be repeated in another 2 bill cycles and every cycle after including phone calls to client.

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

Digital exclusion and low financial literacy.

Concluding Remarks

Thank you again for the opportunity to comment. If you have any questions or concerns regarding this submission, please do not hesitate to contact Financial Rights on (02) 9212 4216.

Kind Regards,

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