



INDEPENDENT REVIEW OF THE CENTREPAY SYSTEM

**SUBMISSION: DEPARTMENT OF HUMAN SERVICES
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UNITINGCARE AUSTRALIA

UnitingCare Australia is an agency of the National Assembly of the Uniting Church in Australia.

The UnitingCare network is one of the largest providers of community services in Australia. Over 1,300 sites provide services and supports to more than 2 million Australians each year. The network employs 35,000 staff and 24,000 volunteers. We provide services to older Australians, children, young people and families, Indigenous Australians, people with disabilities, the poor and disadvantaged, people from culturally diverse backgrounds and older Australians in urban, rural and remote communities.

UnitingCare Australia works with and on behalf of the UnitingCare network to advocate for policies and programs that will improve people's quality of life. UnitingCare Australia is committed to speaking with and on behalf of those who are the most vulnerable and disadvantaged for the common good.

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1 INTRODUCTION

UnitingCare Australia would like to commend the Department of Human services for undertaking an independent review of Centrepay system, and for seeking comment from the community in this process.

Through the work of our agencies with vulnerable consumers UnitingCare Australia sees the benefits of Centrepay as a money management system for our clients. There are, however a range of issues with the current system, and this review indicates that the Department of Human Services is committed to improving this service to better meet the needs of vulnerable Australians.

UnitingCare Australia is the Uniting Church's national body supporting community services and advocacy for children, young people, families, people with disabilities and older people. We employ a holistic approach to supporting individuals and communities to access the resources and opportunities needed to live a decent life. We partner with governments, other organisations, communities and people of goodwill.

UnitingCare agencies provide a wide range of community-based programs including emergency relief, financial counselling, financial literacy, youth and family support and outreach, and aged and disability support services. Through these programs financially vulnerable individuals and households are supported to manage their essential household finances. Many people who access UnitingCare services receive income support payments and utilise the Centrepay system. UnitingCare agencies also work with the private sector to increase understanding of the issues faced by vulnerable consumers and develop appropriate hardship and debt recovery practices.

The focus of UnitingCare Australia is to bring the shared experience and wisdom of service providers and the communities in which they work, to constructively influence policy and program development at a national level.

A number of UnitingCare agencies are making independent submissions to this review, these include Kildonan UnitingCare (Victoria), Wesley Mission Brisbane (Qld), and a joint submission by Uniting Communities and UnitingCare Wesley Country (South Australia). Additionally, Financial Counsellors from UnitingCare Communities Queensland provided input into the FCA report about Centrepay.

This submission summarises the issues raised by the UnitingCare network. The individual agency submissions provide further details.

2 KEY RECOMMENDATIONS

We recommend that the Centrepay service needs to have adequate, timely and effective communication with customers, and the Centrepay service needs to have effective and responsive administration systems that support customers.

We recommend that:

- A set of principles or guidelines needs to be established to guide decisions about legitimacy of businesses for access to Centrepay. Guidelines have to be based on the objectives of Centrepay
- Centrepay establish an Independent Review Panel to determine which businesses should have access to Centrepay
- A code of practice could be designed, based on the principles, and all organisations wishing to access Centrepay need to agree to abide by the Code of Practice
- A transparent process for removing companies be designed and implemented
- All current organisations accessing Centrepay be reviewed based on these guidelines, and required to agree to the Code of Practice.

We recommend that Centrepay should support clients to pay for essential goods and services that enable them to have a reasonable standard of living, should enhance their financial wellbeing and help them to build assets. Organisations that should not be able to access Centrepay are those that offer non-essential and overpriced consumer goods, or are in essence trading in credit.

We recommend that:

- Centrepay allow clients to access savings programs with Australian Authorised Deposit-taking Institutions (ADIs)
- Centrepay have systems that enable clients to easily and at no cost update or amend Centrepay arrangements.

We recommend that systems need to be in place that ensure:

- That Centrepay arrangements are transitioned when clients transfer between different types of income support
- That clients who have transitioned are contacted to encourage them to re-establish payee allocations
- That in the case of income moving above the threshold, there be a system to ensure that clients are informed and that payments don't stop immediately.

We recommend that the Centrepay service remain a voluntary option for Centrelink recipients and not as an enforced or punitive operation in the delivery of welfare payments.

Further detail around these recommendations is contained in the following section.

3 OVERALL ASSESSMENT OF THE CENTREPAY SYSTEM

Centrepay is a very useful tool that assists low-income people to manage their finances. It provides a service that enables people to prioritise essential budgetary expenses, to ensure that they can access the goods and services they need to live a decent life. This is something that can be difficult when people are faced with essential costs rising faster than their incomes and a complex range of pressures in their lives.

The objectives of Centrepay need to be clear, for example:

to provide an efficient and transparent service that supports low income households to have a reasonable standard of living through providing them with effective budgeting tools.

The system needs to continue to support these objectives. Centrepay is valued by the people who use the service, but the service has in many cases let these people down.

SPECIFIC RECOMMENDATIONS RELATING TO THE TERMS OF REFERENCE

1. Examine the controls, risk management and administrative processes in place to ensure the Centrepay service is used in a way that protects people's entitlements

UnitingCare is concerned that the service is not transparent to customers, and that a lack of information on the part of Clients is increasing their financial hardship, rather than improving it. This is particularly problematic as many clients of the Centrepay service may have limited financial management skills, limited access to the internet or phone, and complex lives that mean they rely on services to continue without their ongoing monitoring.

We recommend that the Centrepay service needs to have adequate, timely and effective communication with customers, and the Centrepay service needs to have effective and responsive administration systems that support customers.

This would include:

- Income statements need to be more detailed, payments need to be itemised, showing for example: fortnightly deductions, total amount paid and total amount owing
- Income statements need to be more easily located on-line once a client has passed on-line security checks.
- Clients need to be promptly advised of the termination of accounts
- Clients need to be provided with clear information about options for re-instating Centrepay arrangements once they have been terminated
- The process by which clients are terminated when they pass income thresholds, or move to other payments needs to be re-evaluated in light of the objectives of the Service
- Administrative processes need to be simplified and streamlined to make it easy for clients to change amounts and payees
- Better education to clients regarding how the system works, particularly around areas where clients regularly have problems (as listed above).

2. Examine the approaches taken to ensure Centrepay is used to distribute money to legitimate organisations providing services to people on a fair and reasonable basis, and the associated contract management approaches used

We appreciate the value of this question.

We recommend that:

- A set of principles or guidelines needs to be established to guide decisions about legitimacy of businesses for access to Centrepay. Guidelines have to be based on the objectives of Centrepay
- Centrepay establish an Independent Review Panel to determine which businesses should have access to Centrepay
- A code of practice could be designed, based on the principles, and all organisations wishing to access Centrepay need to agree to abide by the Code of Practice
- A transparent process for removing companies be designed and implemented
- All current all current organisations accessing Centrepay are reviewed based on these guidelines, and required to agree to the Code of Practice.

The principles that guide the decision about legitimacy should include:

- Financial sustainability for Payers using Centrepay must be the guiding principle
- Payee companies would provide essential and common household goods and services
- There would be no management, default or any other ancillary fees and charges for Payers
- Payee companies would have well developed “Hardship Plans” for payees, that are clearly communicated to Payers
- Payee companies would not offer contracts with inflated monthly payments
- Payee companies would provide Payees with periodic statements of payment, including balances owing.
- Payee companies would not accept payments from Centrepay where full payment had been made by the Payer. Payee Companies should be removed from the list of accepted Centrepay companies where they fail to meet the Payer focus that is essential for Centrepay, indicators for this would include:
- An unacceptable level of complaints about the companies’ behaviour, either to Centrepay or any of the relevant Ombudsman services (Financial, Telecommunications, Energy and Water)
- Failure to comply with Australian Consumer Law, probably through a cross checking relationship with ASIC and ACCC
- Charging default or other ancillary fees and charges.

3. Provide suggestions about which businesses and services should have access to the Centrepay service, and services that might be excluded

The objective of Centrepay is to support clients to live a decent life by supporting their budgeting. We feel that Centrepay should support clients to pay for essential goods and services that enable them to have a reasonable standard of living, should enhance their financial wellbeing, and help them to build assets.

Centrepay should be available for the payment of essential goods and services, including:

- Utility Providers
- Housing and accommodation

- No Interest Loans Schemes
- Fines for Government services
- Savings schemes with Australian Authorised Deposit-taking Institutions
- Matched savings plans associated with NILS schemes.

Organisations that should not be able to access Centrepay are those that offer non-essential and overpriced consumer goods, or are in essence trading in credit. Examples are

- Any business breaching Australian Consumer Law (identified by ASIC)
- Rental companies or rent-to-buy schemes
- Debt collectors (particularly where clients are judgement proof)
- Pay-day loans and other credit institutions
- Funeral Plans
- Any business that seeks to make payment through Centrepay compulsory
- Any business that seeks to charge management, default or any other ancillary fees and charges for Payers.

Decisions about legitimacy of a business being listed are messed as some businesses which provide legitimate goods (eg whitegoods), also provide non-essential goods on overinflated credit terms.

We recommend that Centrepay should support clients to pay for essential goods and services that enable them to have a reasonable standard of living, should enhance their financial wellbeing and help them to build assets. Organisations that should not be able to access Centrepay are those that offer non-essential and overpriced consumer goods, or are in essence trading in credit.

4. Look at ways in which Centrepay can be used to build the financial capability of its customers and to assist them to manage their money in the best way possible

Centrepay provides an effective tool for clients to budget and manage debt. It could also be used to assist clients to save and build financial resilience. Clients need to be able to easily adjust the amount they pay to a Payee (for example, increasing a payment to catch-up on debt when they can afford this). Clients also need to be able to be flexible with their choice of service providers and move between providers with minimal transaction costs.

We recommend that:

- Centrepay allow clients to access savings programs with Australian Authorised Deposit-taking Institutions (ADIs)
- Centrepay have systems that enable clients to easily and at no cost update or amend Centrepay arrangements.

5. Examine the complaints and feedback mechanisms associated with Centrepay to ensure that issues are resolved in a fair way

The transparency and accountability of the Centrepay system is limited and needs to be enhanced.

6. Examine how Centrepay relates to other financial products and services available to the Department's customers

When Centrelink clients transition between types of income support payments, or their income levels change, their Centrepay arrangements are not always continued, and clients are not always notified when their Centrepay is cancelled.

We recommend that systems need to be in place that ensure:

- that Centrepay arrangements are transitioned when clients transfer between different types of income support,
- that clients are contacted to encourage them to re-establish payee allocations
- that in the case of income moving above the threshold, there be a system to ensure that clients are informed and that payments don't stop immediately.

7. Suggest future opportunities and directions for the Centrepay service

While it has not been discussed as an option, we feel it is relevant to say that Centrepay is a valued service provided to Centrelink recipients on a voluntary basis. Centrepay should remain voluntary, and not become an enforced or punitive operation in the delivery of Centrelink payments.

We recommend that the Centrepay service remain a voluntary option for Centrelink recipients and not as an enforced or punitive operation in the delivery of welfare payments.

