

Committee Secretary

STANDING COMMITTEE ON COMMUNITY AFFAIRS
PO Box 6100
Parliament House
Canberra ACT 2600

community.affairs.sen@aph.gov.au

Dear Committee Secretary,

Re: Commonwealth Ombudsman

Centrelink's Automated Debt Raising and Recovery System Report April 2017

The National Council of Single Mothers and their Children Inc have been granted an opportunity to respond to this report and provide our response to the Senate Committee.

Recommendations

The National Council of Single Mothers and their Children Inc (NCSMC) supports the Ombudsman's recommendations (8). Additionally, NCSMC proposes some further recommendations that may have been outside the scope of the report, but are in response to the deficiencies as highlighted within the Ombudsman's report. They are:

1. **NCSMC supports the eight recommendations contained in the Ombudsman report and in particular the first recommendation, which calls upon DHS to reassess the 10% recovery penalty.**
2. **The Ombudsman identified the enhanced approach that DHS had made during the review and in response to their report, but remedies and recommendations for the individuals before those changes were implemented (February 2017) were absent from the report. Consequently, NCSMC seeks a specialist team to work with those Australians who have made partial, full debt repayments or had Centrelink payments reduced, to ascertain if the calculation of the debt was factual and accurate.**
3. **The Ombudsman also highlighted that the ATO only requires *individuals with simplified tax affairs to retain records for two years (3.24)*. However, the Ombudsman many not have known that the public messaging on the DHS website, until early 2017, informed customers to keep records for a *six-month period*. The decision for IOC to match**

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✉ PO Box 2238, Hilton, 5033

P 08 8354 3856

E ncsmc@ncsmc.org.au

www.ncsmc.org.au



data that was older than six-months is inconsistent with their DHS advice and therefore would appear to be a breach of natural justice and consequently should not be included in the OCI system.

4. The Senate Committee recommends that the Ombudsman in collaboration with stakeholders maintains a watching brief with regular formal reviews noting that the public has lost confidence in DHS and the OCI system. The stakeholders should include organisations that can represent the interests of Centrelink Customers as well as legal and technology experts and that DHS supports the cost of the engagement.
5. We further call upon the re-convening of the National Child Support Stakeholder Engagement Group meetings in order to support the principle of stakeholder engagement which would support the Ombudsman statement (3.52).

Initial Letters

Initial letters were sent in July 2016. The report stated:

3.15 Our investigation revealed the letters DHS sent to customers before 20 January 2017 to alert them about the income discrepancies were unclear and deficient in many respects. The letter did not include the 1800 telephone number for the compliance helpline, it did not explain that a person could ask for an extension of time, or be assisted by a Compliance Officer if they had problems. It asked the person to 'confirm' their income information, possibly giving the impression that if the figure was the correct annual figure merely confirming the information would suffice. The letter did not provide a clear explanation that applying ATO income to that person's record may negatively affect the amount of any debt (pg9).

The Ombudsman's findings were consistent with the concerns raised and evidence provided by NCSMC at the Senate hearing. Furthermore, women reported that they had not received the letters whilst the Ombudsman review found that the initial letters and reminder letters sent to the last known address (3.16). Additionally, difficulties in using the OCI system were found by the Ombudsman, and this was again a recurring theme reported to NCSMC (3.18).

Collecting Information

The Ombudsman confirmed that under the OCI, DHS does not use its powers to collect information directly from employees to verify the customer's earnings. This practice is not consistent with the known practice of DHS and women, who had received a debt, would have assumed that DHS have used their collective powers and that the stated *debt* been entirely factual. The report also stated that during this period, until changes were made in late January 2017 that bank statements

were not accepted as proof. This is again a step away from the understood DHS practice, resultant in some women not having any 'alternative proof' and therefore forced to pay the debt.

Keeping Records

The Ombudsman also highlighted that the ATO *only requires individuals with simplified tax affairs to retain records for two years* (3.24). NCSMC can report that until 2017, the DHS website stated that customers only needed to retain records for a period of **six-months**. It is therefore unreasonable that the automated matching process reviewed information that was older than a six-month period. It remains our firm view that the OCI system and its intent needed to be consistent with the public messaging on the DHS website.

Communication

The Ombudsman stated, on page 15, *that poor service delivery was a recurring theme in the complaints made to their office about the OCI system, resultant in confusing and inconsistent messages when they tried to contact Centrelink to seek assistance* (3.38). This is again consistent with what Centrelink customers had informed NCSMC. The confusion compounded, due to an original tight timeframe, as letters in 2016 provided 21 days to respond rather than the revised timeframe of 28 days (3.8).

The findings of the Ombudsman are welcomed and provide clarification as to why stakeholders such as the National Council of Single Mothers and their Children Inc and Centrelink customers were confused, inadequately informed and distressed.

Missing from the report

Complex Customers

The National Council of Single Mothers and their Children Inc gave evidence on 10 April 2017 regarding the complexity of single mother families.

It was our view that there was a high degree of predictability regarding the failure of automatic matching data. I say this because matching data is an area that single mothers often 'bump up' against. Women need to ensure that DHS Centrelink and DHS Child Support has the same data regarding % of any shared care arrangement, the collection (or not) of child support, income of both partners. Women often experience the negative consequences when DHS and the ATO cannot join together to ensure that tax returns are lodged at the prescribed time and operate from a factual income. Terese Edwards 10-04-2017

We bring to the Committee's attention contact received by a Centrelink Customer on Tuesday 11th April 2017

Repayments have been taken from entitlements and therefore made without any action or choice on the part of the recipient. I have been advised of a debt that is based on the income of an ex-partner and the details of income amounts used to calculate this have never been disclosed to me DHS have also not disclosed whether they are pursuing the ex-partner or are solely pursuing the recipient in relation to family payments made before separation. Letters requesting clarification have been completely ignored for nearly a year and in the meantime, repayments are deducted and intercepted (RN).

More recently, this Centrelink Customer has provided NCSMC with screen shots of her MyGov account and copies of letters where she has sought assistance from Centrelink.

I have tried to discuss this with the department, but I was told to write a letter, which was completely ignored. I have not received any response to the letters, not even an acknowledgement. The letter dated 29 June 2016 should set out most of my questions/concerns about these amounts (RN).

This provides an example of the complexity which NCSMC spoke to at the hearing but is not adequately captured in the Ombudsman's report. This Centrelink Customer does not know if the *debt* has arisen due to a 'revised' amount nominated by an ex-partner. This information is required before this Centrelink Customer, Ms RN, could even consider what *proof* she needs and without a response to her letters dated 29 June 2016 the stress is compounded. NCSMC has sought Welfare Rights assistance on this matter as we no longer have a direct link to DHS.

No Alternative

Missing from the report were remedies for the Centrelink customers who may have repaid partial or in full and/or had their Centrelink payments reduced as part of responding to an incorrect debt. The repayment may also have included a 10% penalty, which again was not made known in the initial letters. In addition to the findings of the Ombudsman, NCSMC can report that women made the payment because:

- They believed that the information that DHS was using was accurate and not averaged out over a 12 month period;
- They had no alternative as proof as payslips did not extend beyond 6 to 12 months and DHS was not using the collective powers, nor accepting bank statements (pre-February 2017);
- Their arrangements with DHS are complex and could include percentage of shared care, the income of an ex-partner, on-call and part-time earnings, education assistance and/or childcare assistance. With such complexity mistakes can be made, and without understanding that there was specialist compliance personnel, payment was their only alternative;
- The complexity was compounded by a lack of information and that those receiving the debts may not have even known where to start the process of understanding what caused the debt;

- Circumstances may have coerced women into repaying the amount in order to access other known assistance and or the interception of annual supplements and taxation returns “*I paid \$700 so I could access the carers cash advance*”;
- System Fatigue.

Remedies

NCSMC would have welcomed the Ombudsman’s Report to identify the remedies that are available and/or should be implemented to Centrelink customers who may have paid a debt that was erroneous. Unfortunately, this was absent, most likely due to the scope and purpose of the review. Consequently, NCSMC seeks a specialist team to work with the Australians who have repaid partial or in full and/or had their Centrelink payments reduced, especially those who received debt calculations prior to February 2017.

Stakeholders Engagement

In the event that stakeholders such as the National Council Single Mothers and their Children Inc had an opportunity to engage with the OCI system, we are confident that the collective efforts would have reduced the financial and emotional harm that was experienced by Centrelink customers.

NCSMC has experience in the diverse challenges associated with the matching of information and the consequences of debt, whether it is erroneous and/or accurate. However, our ability was prohibited as our only process of contemporary engagement is via the National Child Support Stakeholder Engagement Group. This group has not met since February 2014. Not only does this stifle co-design, it mitigates the Department’s capacity to gain insight from a stakeholder such as ours that has experience with complex matching.

Furthermore, it rendered NCSMC less than effective in trying to manage the deep emotions and financial duress that these debts caused especially over the Christmas and New Year period and at a time when support services are closed. NCSMC did our best ‘guess-timator’ as how to respond, but our service could have been much more efficient and effective if there was collaboration with DHS.

The Ombudsman noted this deficiency. “(3.52) *better communication to staff and stakeholders and supporting staff through an effective and incremental change management process*”. NCSMC did not have any clear or effective processes to seek clarification, to be informed in order to provide individual and collective support to single mothers who had received a DHS debt. In December 2016 NCSMC was proactive and emailed a DSS stakeholder team to gain guidance. NCSMC received an email and a phone call to acknowledge the email. However, to the best of our knowledge, we are yet to receive a response to the information that was requested.

NCSMC further wrote to the Minister for DHS on 30th December 2017, with copies of the letter sent via post and fax. To date, NCSMC has not received a response. A copy of our letter has been forward to the Committee, as requested at the hearing.

In closing, it is important to note that the debts received could represent up to a third / half of the annual income of Centrelink customers - mostly customers who are already contending with housing stress, financial hardship and have little to no capacity to reduce their disposable income. NCSMC has had previous experience when the Centrelink personnel did not understand the gravity of the impact, and therefore were not well placed to respond to the matter or provide the level of guidance that the Centrelink Customer required.

If you wish to seek additional information or clarification please do not hesitate to contact us.

Warm Regards,

Terese Edwards
Chief Executive Officer

Attachment Ltr Minister DHS 30-12-2017
Copy: Ms A Sayner Co-Founder Women in Poverty

Hon Alan Tudge MP
Minister for Human Services
Suite 4, Level 1, 420 Burwood Highway
Wantirna South, VIC, 3152
Fax: (03) 9887 3893

Dear Hon Alan Tudge MP,

Centrelink Debt Letters

The National Council of Single Mothers and their Children Inc (NCSMC) have been overwhelmed by women seeking guidance following the receipt of a DHS-Centrelink letter claiming that they have a debt / overpayment. The letters did not contain how the debt was calculated and in the main the recipients disputed the claim. The letters added additional pressure to a period, Christmas and long school holidays, where hardship is already a factor and or just one small step away.

NCSMC has emailed DHS using the stakeholder email. We are seeking the following and trust that you will support and ensure that the proposed steps are implemented:

1. Immediately cease sending any more letters;
2. Forward new correspondence to those who have already received a letter informing them that debt is 'undergoing a review' and the outcome will be confirmed in subsequent correspondence;
3. Undertake a manual review of those who have received correspondence to substantiate that the information is correct. The automated system doesn't appear capable of things like distinguishing if an employer and trading name is the same business;
4. The subsequent correspondence should state how any debt / overpayment has been calculated.
5. DHS does not enter into any collection until the above steps have occurred. In particular we are concerned that that the automatic offsetting of the claimed overpayment would occur with the tax return or a reduction of Family Payments. In the event of any overpayment, which is predominately due to the complex nature of predicating child support and or 'on call earnings', we are seeking that any repayment is a consulted and agreed plan.



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NCSMC is informing women who contact us to present an online complaint and seek a review of the findings. We have sought advice via the stakeholder email to ascertain if there are additional or more effective actions that those impacted can follow and waiting on a response.

Furthermore, we have contacted the Ombudsman and understand that they are closed until 3rd January 2016. It is our aim that they will undertake a full investigation and to provide advice on the most effective remedies.

If you require any clarification or wish to speak to me please do not hesitate to contact me. I have provided my mobile phone number for direct access

[REDACTED]

Warm Regards,

[REDACTED]

Terese Edwards
Chief Executive Officer

Copy: Hon Linda Burney MP Fax: (02) 9587 1544

Ms Quirke - Ombudsman