

Committee

Public Hearing – 23 November 2021
ANSWER TO QUESTION ON NOTICE

Department of Social Services

Topic: The Inquiry into the Sterling Income Trust - hearing 18 November 2021

Question reference number: IQ21-000152

Senator: Louise Pratt

Type of Question: Spoken. **Hansard Page/s:** [Click or tap here to enter text.](#)

Date set by the Committee for the return of answer: 26 November 2021

Question:

Mr Sloan: I don't want to go into specifics because whether or not someone could get rent assistance would depend on their specific case. But, if I go back my understanding of the general case, people investing with Sterling Income Trust had long-term leases and they were considered homeowners. Once they are considered homeowners, they cannot get rent assistance. Again, my general understanding would be, as long as they're meeting that criteria of long-term tenure, they're considered a homeowner, therefore they couldn't get CRA. But, again, depending on the specifics, how long—

Senator PRATT: How can you make that decision independent of the capital that's keeping them there?

Mr Sloan: Because homeowners are not eligible for CRA under the legislation.

Senator PRATT:

I would like you to dig back into this because I'm not sure of the extent to which social security did treat them as homeowners and whether they did or did not get rent assistance, frankly, as part of the business model.

Mr Sloan: We can take that on notice. If they weren't considered as homeowners, then, assuming they qualify for the pension, they would be eligible for CRA. Yes, we can certainly dig back into the files and see whether all of them, none of them or some of them were considered homeowners. My understanding is they were, but we will go and check that, absolutely.

Answer:

Whether a person is considered a homeowner or a non-homeowner for social security purposes depends on the specific circumstances of the individual. The homeowner status of Sterling New Life investors was determined by applying the social security law in each individual situation.

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Question:

Senator PRATT:

How do you generally manage social security assets and examining that and the complexities of managed investment schemes more broadly?

Mr Sloan: As to how we actually look into each of the arrangements, I will take that on notice and talk to my Services Australia colleagues. The general principle, the policy, if you like, is that all assets are captured, except for, obviously, a few minor things, such as war medals—that is my understanding. But, generally, most assets are caught in the assets test. As to how it's administered, I will go to Services Australia, and we can take that on notice and see what we can get you.

Answer:

A customer's income and asset arrangements can be complex and consist of a number of different assessment provisions applicable under the *Social Security Act 1991*. Consideration needs to be given to each individual's circumstances when determining the appropriate treatment under the social security means test.

Managed investments, such as the Sterling New Life investments, are considered to be financial investments for the purposes of the assets test and subject to the deeming rules under the income test.

The deeming rates are applied to the total market value of a recipient's financial investments. The actual returns from the recipient's investments, whether in the form of capital growth, dividends or interest, are not used for income assessment.

The income test has free areas below which a person's rate of pension is not affected. The income test fortnightly free areas between 20 March 2019 and 30 June 2019 were:

- \$172 for a single person; and
- \$304 for couples (combined).

For each dollar of income over the income test free area, the single pension is reduced by 50 cents (the taper rate). For couples, their combined pensions are reduced by 50 cents.

Between 20 March 2019 and 30 June 2019, pension payments ceased to be payable when fortnightly assessable income exceeded:

- \$2,024.40 for a single person; and
- \$3,096.40 for couples (combined).

Assessable assets under the assets test include money, shares, financial investments, investment properties, vacant land, holiday homes, motor vehicles, caravans, boats, household contents, personal effects, businesses, farms and other personal assets (whether in Australia or overseas) and amounts held in superannuation funds for those over Age Pension age.

The assets test has free areas, below which a person's rate of payment is not affected. The assets test free areas between 20 March 2019 and 30 June 2019 were:

- \$258,500 for a single homeowner;
- \$465,500 for a single non-homeowner;
- \$387,500 for homeowner couples (combined); and
- \$594,500 for non-homeowner couples (combined).

Where a person's rate of pension is worked out under the assets test the value of their assets above the assets test free area reduces their pension by \$3 a fortnight for each extra \$1,000 in assets.

In 20 March 2019 and 30 June 2019, pension payments ceased to be payable when assets exceeded:

- \$567,250 for a single homeowner;
- \$774,250 for single non-homeowners; and
- \$853,000 for homeowner couples (combined);
- \$1,060,000 for non-homeowner couples (combined).

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Topic: The Inquiry into the Sterling Income Trust - hearing 18 November 2021

Question reference number: IQ21-000154

Senator: Paul Scarr

Type of Question: Spoken. **Hansard Page/s:**

Date set by the Committee for the return of answer: 26 November 2021

Question:

ACTING CHAIR: Mr Sloan, I just have a few more questions in relation to this matter in particular. If I can introduce them by saying that I'm gravely concerned that some of the victims of the Sterling Income Trust debacle and the Silverlink debacle have been denied social security support or rent assistance because of the way in which these extraordinarily complicated arrangements have been interpreted by the federal government. In making that statement, I am not in any way being critical of the social security department, Centrelink. I'm not being in any way critical. These arrangements are extraordinarily complicated. But I'm very, very concerned that the people have sold their house, looked to enter into a long-term residential arrangement, in effect accelerated the payment of rent, and that's been considered an 'investment', when the reality is that there should be no difference in the way in which that investment is treated as opposed to equity in a house. I'm really concerned that there are victims of this collapse who not only have lost all the equity in their home but, when they needed social security support or rent assistance, have been prejudiced because of the complexity of these arrangements. And they are extraordinarily complicated. So can I ask you to take on notice whatever you can find out in terms of people who have been impacted by Silverlink and the Sterling Income Trust and who were denied social security payments or rental assistance because of the way in which the investment, so-called, was treated. From their perspective, what they were doing was paying a considerable sum of money in order to secure their residential rights. They didn't see themselves as participating in a managed investment scheme; they saw themselves as securing their future occupation rights. Commercially, that was really the intention. Can you take that on notice? Does that make sense—

Mr Sloan: Absolutely. We can look into it and see what we can find in the Services Australia system about what people held and what treatment they fell under. Yes, we can certainly do that.

ACTING CHAIR:

It could well be that there needs to be some reassessment of that, because it is extraordinarily complicated. From my perspective, the practical effect of a clause—they did haven't access to that investment, it wasn't an investment. From their perspective, they were basically paying an amount on an accelerated basis to secure their future living arrangements for 40 years, or

whatever it was. It is something the department needs to reflect on very closely, and I would be interested in any further information you can provide.

Mr Sloan: Yes, I'm happy to do that. We will look into it and see what we can find.

Answer:

The Sterling Group offered financial investments which allowed investors the opportunity to place their assets into financial products which were used to secure long-term residential tenancy arrangements. These products were financial assets under social security law and were assessable for the purposes of the means test.

The residential leases offered under these arrangements were often very long-term agreements, and where these arrangements provided people with the security of tenure required to be considered homeowners under the provisions of the *Social Security Act 1991*, the people in question were treated as homeowners.

We are unable to provide details of the social security outcomes for this cohort of people in the time available. However, the treatment of the investments following the Sterling Group going into voluntary administration on 6 May is outlined below.

Following entering into administration, Services Australia assessed the assets as failed financial investments. The value of the assets was taken as the last recorded value before the appointment of the administrator, pending advice from the administrators on updated values.

On 7 October 2019, Services Australia published advice to staff advising all investments in Sterling New Life were to be deemed to be \$0.00 unit value, as at 30 May 2019. This means those customers whose pension would have increased due to these assets being valued at nil would have had arrears paid from 30 May 2019.

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Topic: The Inquiry into the Sterling Income Trust - hearing 18 November 2021

Question reference number: IQ21-000155

Senator: Jordon Steele-John

Type of Question: Spoken. **Hansard Page/s:**

Date set by the Committee for the return of answer: 26 November 2021

Question:

Senator STEELE-JOHN:

I would specifically ask the department if they could provide on notice—I think this is part of what Senator Scarr was asking for—the precise number of people who were involved in the Sterling First trust who have been denied the relevant social services support that they have requested. I'd like to know how many applications were made for assistance, how many of those applications were denied and, if any of them were approved, how many were approved. Is that something you can provide?

Mr Sloan: We can look into that, yes. The committee might be sick of me saying that Service Australia's data system is quite complex, but we will dig in there and see what we can find. Then we can report back after we've seen what we could find. I think what you're asking—there might be some people who got some pension, some who got none and some who got part-way pensions. We will dig out what we can find.

Answer:

We are unable to provide details of the social security outcomes for this cohort of people in the time available. However, please refer to the explanation regarding the treatment of Sterling New Life investments following administration of the Sterling Group in IQ21-000154.

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Public Hearing – 23 November 2021
ANSWER TO QUESTION ON NOTICE

Department of Social Services

Topic: The Inquiry into the Sterling Income Trust - hearing 18 November 2021

Question reference number: IQ21-000156

Senator: Jordon Steele-John

Type of Question: Spoken. **Hansard Page/s:**

Date set by the Committee for the return of answer: 26 November 2021

Question:

Senator STEELE-JOHN: Obviously being conscious of people's right to privacy, could you provide us with what was cited in the rejections so that we can understand the exact interplay between their involvement in this situation and the rejection given by Services Australia, if, in fact, a rejection was the response they received.

Mr Sloan: We'll try to aggregate it; we'll try to get some categories that are reflecting your point. There are not a lot of people involved, is my understanding, and we don't want to breach those privacy issues that you raise—and I agree 100 per cent. Whatever information we can find, we will try to chunk it into categories to give you that information, if we can find it, but still respect privacy.

Answer:

Please refer to the explanation regarding the treatment of Sterling New Life investments following administration of the Sterling Group in IQ21-000154.