

1. Uniting Vic.Tas recommendations for the hearing into Centrelink's compliance program

Uniting recommends a range of practical actions, centred on four key recommendations, to improve consumer experiences of Centrelink's debt collection practices, as outlined in our recent submission for this Inquiry into Centrelink's Compliance Program.

1. Reform the debt collection approach, to be underpinned by a vulnerability framework and consumer centred approach – and train all staff in this approach

- Undertake a review of the entire end-to-end system and approach to the collection of debt.
- Implement a consumer-centred, strengths-based framework at all levels of the organisation, providing consumers with choice and the ability to maintain dignity and respect throughout the debt collection process. The first principle is to do no harm.
- Conduct training for frontline employees in relation to responding to people who are vulnerable including topics such as respectful practice, mental health, disability, family violence and suicide prevention.
- Review the approach to selecting debt collection partners to include values-based procurement.

2. Improved accountability through timely and well-promoted appeal processes and improving governance processes to monitor outcomes and resolution of errors

- Establish protocols for debt collection which are publicly available to consumers including approach, timelines and channels of communication.
- While we recognise the appeals process provided by the Administrative Appeals Tribunal (ATT), more needs to be done to promote consumer awareness and understanding of ATT processes.
- Provide an independent avenue for recourse for consumers who have negative experiences with Centrelink and improve transparency through independent monitoring and reporting on errors with Centrelink's compliance program.

3. Develop clear and consistent information and advice and avenues for communication from/to Centrelink including a single point of contact on debt issues

- Implement policy to ensure consumers are advised of potential debt as early as possible.
- Offer a single point of human contact on issues related to debt (either phone or face to face) to avoid consumers needing to repeat their story to multiple staff.
- Rollout training across Centrelink on key policies which are related to debt in order to reduce errors and improve consistency and accuracy of information provided.
- Train staff in options of support and advice available both within Centrelink or via external organisations (e.g. financial counselling).
- Improve and ensure consistent systems are in place for recording conversations with consumers, advice provided, or information received.

4. Develop referral processes for mental health, suicide risk and financial vulnerability

- Establish a dedicated email and phone line for financial counsellors to contact Centrelink staff on behalf of consumers.
- Establish protocol for Centrelink staff to ensure consumers are referred into other supports, especially to uphold duty of care in crisis situations.
- Provide timely access to social workers employed by Centrelink.

2. Service data relevant to debt collection

Financial counselling services

Uniting Vic.Tas employs 25 Financial Counsellors who support people on low incomes and those experiencing financial difficulties to achieve financial security and independence through quality financial counselling. Our financial counselling services are free of charge and counsellors are bound by law to keep matters relating to finances confidential. Financial counsellors are trained to look at people's financial situation and identify the options they have to manage their situation, including through their income, expenses, assets and debts.

In 2018-19, we had 3,929 referrals into our financial counselling services, of which 65% were on Centrelink income support payments. Key financial difficulties experienced related to utility debts, credit card debts, housing arrears, personal loans, car loans, Centrelink debts and unpaid fines. The key vulnerabilities faced involved life events, limited capability to manage finances, mental health, family violence, economic abuse, disability and substance addiction. Of those seeking financial counselling, 68% were women and 80% had an income under \$40,000. The majority of people were aged between 20 and 59 years of age, with 12% over 60 years old. The majority of referrals were for single parents (34%), single people (29%) and couples with children (20%).

Table 1: Key vulnerabilities faced by people seeking financial counselling

| Key vulnerabilities | Number of people | Proportion (%) |
|--|------------------|----------------|
| Life Event | 2,000 | 91% |
| Limited Capability | 761 | 35% |
| Mental Health | 684 | 31% |
| Family Violence | 578 | 26% |
| Economic Abuse | 288 | 13% |
| Disability | 174 | 8% |
| Substance Addiction | 99 | 4% |
| Elder Abuse | 34 | 2% |
| Gambling | 19 | 1% |
| Total with at least 1 vulnerability | 2,205 | 100% |

Table 2: People seeking financial counselling who face more than one vulnerability

| Number of vulnerabilities faced | Number of people | Proportion (%) |
|--|------------------|----------------|
| 1 | 1,858 | 84% |
| 2 | 851 | 39% |
| 3 | 486 | 22% |
| 4 | 144 | 7% |
| 5 | 33 | 1% |
| 6 | 9 | 0% |
| Total with at least 1 vulnerability | 2,205 | 100% |

Around 69% were experiencing 2 or more vulnerabilities and 30% were experiencing 3 or more vulnerabilities at the same time.

CareRing program

Accessing the right support can be challenging for people facing financial hardship, family violence, health concerns, housing or employment issues. To ease the burden, Uniting Vic.Tas have partnered with community agencies, government, utilities, and financial service providers to develop the CareRing program.

CareRing is a national service providing wrap-around support that assists with multiple issues experienced by vulnerable households through a range of services: including financial counselling, family violence, employment services and generalist client support.

Key service data on CareRing:

- Since its inception in 2014, CareRing has assisted just under 9,000 people across Australia.
- In 2018-19, 65% of people accessing CareRing were receiving Centrelink payments.
- 75% of people in the program were women.
- 70% of people were between 30 and 59 years of age, with 17% over 60 years of age.
- In terms of family composition, 30% were single parents, 25% were single people and 20% were couples with children.
- Family violence, unemployment, homelessness, mental health issues, severe illness and divorce/separation were the key vulnerabilities experienced.
- The main causes of financial difficulty that led people to access CareRing were insufficient income/poverty, family or personal problems, utility bills, job loss or mortgage arrears.
- Almost 40% were experiencing multiple vulnerabilities. 40% were also experiencing multiple causes of financial difficulty.
- Rural and regional breakdown 23% regional and rural (7% and 16% respectively) and 77% metropolitan across Australia.

Table 3: Metropolitan, regional and rural split of people in the CareRing program

| Location | Number of referrals | Proportion (%) |
|--------------|---------------------|----------------|
| Metropolitan | 900 | 77% |
| Regional | 82 | 7% |
| Rural | 184 | 16% |
| Total | 1,166 | 100% |

Table 4: State split of people in the CareRing program

| State | Number of referrals | Proportion (%) |
|-------|---------------------|----------------|
| ACT | 1 | 0.2% |
| NSW | 128 | 29.2% |
| QLD | 93 | 21.2% |
| SA | 20 | 4.6% |
| TAS | 4 | 0.9% |
| VIC | 163 | 37.2% |
| WA | 29 | 6.6% |

Table 5: People in the CareRing program who face more than one vulnerability

| Number of vulnerabilities faced | Number of referrals | Proportion (%) |
|--|---------------------|----------------|
| 1 | 168 | 56% |
| 2 | 86 | 29% |
| 3 | 48 | 16% |
| Total with at least 1 vulnerability | 301 | 100% |

Around 45% were experiencing 2 or more vulnerabilities and 16% were experiencing 3 or more vulnerabilities at the same time.

Table 6: Key vulnerabilities faced by people in the CareRing program

| Vulnerability | Number of referrals | Proportion (%) |
|--|----------------------------|-----------------------|
| Family Violence | 177 | 59% |
| Unemployment | 96 | 32% |
| Homelessness | 56 | 19% |
| Mental Health | 43 | 14% |
| Severe Illness | 23 | 8% |
| Disability | 14 | 5% |
| Divorce / Separation | 14 | 5% |
| Elderly | 13 | 4% |
| Limited English Proficiency | 12 | 4% |
| Victim of Crime | 11 | 4% |
| Aboriginal and Torres Strait Islander | 4 | 1% |
| Substance Addiction | 2 | 1% |
| Social Isolation | 1 | 0% |
| Death | 1 | 0% |
| Accident | 1 | 0% |
| Lack of Formal Education | 0 | 0% |
| Total with at least 1 vulnerability | 301 | 100% |

3. Experiences of Financial Counselling consumers

The Committee sought further information from financial counsellors to inform the Inquiry into Centrelink's Compliance Program particularly in relation to garnishing payments and consumer experience with the appeals process. Issues identified by Uniting Vic.Tas Financial Counsellors, based on the experiences of their consumers are outlined below:

Consumer experiences with garnishing payments

- In our experience, once a debt is attributed to a consumer, deductions are made at the highest allowable level effective immediately. Consumers are supposed to be notified, usually by email via MyGov, but the notification is issued when the first adjustment is made. By this stage, our consumers report that they have already had their payments reduced.
- The standard practice amongst commercial creditors is to issue a notice and give clients a set time to respond with a payment solution before recovery action is taken. The Centrelink compliance program appears to adopt a different approach of acting first and consulting with consumers after deductions have already been made.
- At the end of every financial year the Family Tax Benefit is 'balanced'. It is standard that payments are automatically 5% less than what clients are entitled to in order to avoid debt through under-reporting income. This applies to every Family Tax Benefit recipient. Many families we work with rely on this Family Tax Benefit money for Christmas and the New Year (e.g. school items and uniforms). This is now being taken to repay any debt outstanding, whether it is for Family Tax Benefit or another Centrelink payment. Some of our financial counsellors have heard of the same thing happening with the Child Care Subsidy balancing.
- Our financial counsellors report that garnishing of payments is happening where payment plans have been put in place with consumers to pay off debts. Feedback from consumers is that they have done the right thing by entering into a payment plan which is 'affordable' then, seemingly without notice, have money they were relying on and have budgeted for being taken as well.
- This practice demonstrates to our consumers that Centrelink can act without accountability because they do not recognise the genuine commitment of consumers to pay off debts.
- Money from tax returns has been garnished to pay off Centrelink debts, however, this practice also works in reverse, with balancing refunds being taken by the Australian Taxation Office (ATO) to pay off tax debts.

Consumer experiences with the appeals process

- In our experience, consumers often do not realise they can negotiate lower repayment amounts. Yet, the longer they wait, the more they lose because the difference between the higher and lower payments is not refundable/recoverable.
- Our financial counsellors report that many consumers do not know there is a dispute process. Many consumers are not aware that, firstly, a complaint can be made to an Administrative Review Officer (note that this is an internal review and, in our experience, the decisions are overwhelmingly upheld). Secondly, many consumers are not aware that they have the Administrative Appeals Tribunal as an external review option if their initial response from Centrelink is unfavourable.
- When disputing Centrelink debts, consumers need to request that deductions be suspended otherwise deductions will continue to be deducted. If a dispute is found in their favour, the consumer will be refunded this money, but it represents funds that they needed during the review process just to survive.
- Our consumers relay to us the unreasonably long time it takes to get personal information from Centrelink when requested. This impedes their ability to appeal within the timeframe.
- The onus of action and proof is on consumer. Many of our consumers are intimidated by Centrelink, particularly those who are vulnerable (e.g. experiencing mental health concerns or family violence). Our financial counsellors report that the amount of information consumers are required to produce to dispute a debt is excessive, onerous and the information provided by Centrelink to support the appeals process is often inconsistent between departments and customer service personnel. Thus, the appeals process can be cumbersome and complicated.