



Australian Council of Social Service

21 December 2016

The Hon. Alan Tudge MP
Minister for Human Services
PO Box 6022
Parliament House
Canberra ACT 2600

Via email: alan.tudge.mp@aph.gov.au

Dear Minister Tudge

Following discussions with your office on Monday, I am writing to you regarding the automated debt recovery action undertaken by the Department of Human Services.

I wish to raise with you some of the serious issues with this process that have been brought to our attention by constituents, seek further information and propose action that can be taken in light of the urgency of the issues presented.

The issues raised with ACOSS indicate that there are serious and systemic problems with the automated debt detection and notification system. There are several concerns that appear to be consistent in the experiences of people affected:

1. Automated data matching leading to inaccurate assessments of overpayments

Reports are consistent that the system is detecting a debt by averaging out annual income over 26 fortnights and then correlating that to receipt of income support. As you are aware, people (generally) must report income fortnightly rather than annually. Therefore, the means test applies fortnightly rather than annually. However, people appear to be receiving debt notices on the basis of their annual income as opposed to the fortnightly income they earned whilst receiving income support. The system therefore generates a false notice of overpayment. This is a serious problem that would likely be producing large numbers of inaccurate notices, wasting recipients and the Department's time and resources as well as causing much unnecessary stress and anxiety amongst recipients.

2. Routine imposition of 10% recovery fee

We are gravely concerned about the 10% recovery fee that is being applied. The decision to apply a 10% recovery fee must be separate from the decision to raise a debt and must be considered using discretion. It may be applied where a person refuses to provide information, knowingly or recklessly provides false information or fails without a reasonable excuse to provide information. Where contact cannot be made with a person, a recovery fee charge should not be applied because it cannot be verified that

they have received information about a debt from Centrelink (and therefore they are unable to provide a reasonable excuse).

3. Length of time since the debt was incurred

Currently, the Department may seek to retrieve a debt from up to six years ago. As of 1 January 2017, there will be no limitation period (due to a legislative amendment passed in the *Omnibus Bill 2016*). For people to contest a debt, they are having to find old records of income or approach their former employer to get old payslips. This will be even more difficult if debts are sought from beyond six years ago. ACOSS calls for a time limit to be imposed for the collection of debts.

4. Failure to advise people immediately about the process that has commenced and the potential risks of non-engagement and limited engagement options for people

There has been a consistent complaint that people cannot use the online system, because webpages are unavailable, people cannot upload documents, or they do not have ready access to the internet (three million people in Australia have no internet access at home). The first letter people receive from the Department of Human Services provides no phone number to call, only offering online contact details. This is inappropriate considering the importance of these letters and the requirement for people to engage with Centrelink to update their details within 21 days.

5. Refusal of Centrelink offices to discuss these letters face-to-face and persistent forcing of people to use the online portal

We have heard from several reliable sources that Centrelink offices are refusing to assist people who have received a debt letter and are instead advising people to go online. All avenues of communication should be open to people where there is a possibility that they have a Centrelink debt. This is particularly so when people have difficulty accessing the online portal and getting through to Centrelink over the phone.

6. Failure to make personal contact prior to commencing debt collection action

We understand that Centrelink does not generally call people who may have a debt and rather all communication is conducted online, through letters or text messages. Considering that contact by mail may not reach people because they have moved and that people need to be contacted urgently regarding the debt, Centrelink should call people who have not responded to other means of communication. This is particularly important given that the non-descript text messages sent to some people do not indicate that a non-response could result in them having a debt against their name and incur a 10% recovery fee.

7. Scale and timing of automated debt collection process

The scale and timing of this process is also alarming. It is important to consider the reduced capacity people have to engage with Centrelink at this time of year, not least

because of Centrelink's closure at times over the Christmas period. There will be limited access available to welfare rights legal centres around the country during this period, restricting people's access to independent advice about being issued with a debt. It could also be difficult for people to contact former employers to obtain payslips to prove that they do not have a debt because employers are on leave.

8. External debt collectors

It has been brought to my attention that Centrelink is failing to effectively communicate with people when they are engaging debt collectors to retrieve debts, relying on mail communication to last known address. This has resulted in people only finding out that debt collectors are seeking to retrieve the debt when they first make contact with Centrelink (often over the phone) because Centrelink does not have their updated address details. Before a debt collector is engaged, Centrelink must make contact with alleged debtors by phone to ensure that they have received that information.

In light of the consistent and alarming level of distress and concern this process is creating, we urge you to take the following action:

- Immediately suspend issuing correspondence to former and current income support recipients until these problems have been addressed;
- Waive recovery fees in all cases;
- Place on hold automated actions in matters already commenced, and get the Department to make personal contact with people already affected to advise them that they have extended the timeframe to update their details and to discuss their individual circumstances;
- Convene a stakeholder roundtable early in 2017 that brings together key groups representing the interests of income support recipients to discuss:
 - How we can work with you and the Department on what needs to be done to prevent the range of serious problems in the current automated approach to overpayments and debt collection through data matching; and
 - How to co-design with stakeholders representing the interests of income support recipients future engagement approaches that are planned as part of the Welfare Payment Infrastructure Transformation (WPIT).

Further action should not proceed until these serious issues have been addressed.

In relation to the WPIT, I understand that there is a consultation process in train with income support recipients. Considering the scale of the reforms (a major \$1.5 billion upgrade to the IT system), it is imperative that people affected by the upgrade can provide feedback and input so as to ensure the best transition possible to the new system and that there are no unintended consequences from the upgrade. ACOSS would also welcome being involved in this consultation process.

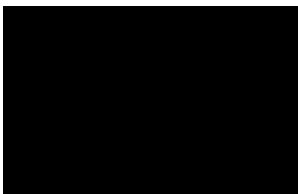
In addition, we ask that you provide us with additional information about the automated overpayment detection process underway so that we can play our part in ensuring that we are working with an accurate understanding of the Department's actions. We have been advised by your office that 90% of people have managed to resolve information discrepancies online. Could you please provide the following:

- a. The number of people who have been sent a letter as a result of the automated data matching system that commenced in July?
- b. The number of people who have managed to resolve the matter online?
- c. The number of people who did not have a debt with Centrelink after updating their details?
- d. The number of people who had a debt reduced after updating their details?
- e. The number of people who have repaid their debt?
- f. The number of people who have entered into a payment plan to repay their debt?
- g. The number of people who have requested a review from an Authorised Review Officer?
- h. The number of cases that have been taken to the Administrative Appeals Tribunal?
- i. The number of people who have had a 10% recovery fee applied?
- j. How many people are having their debt sought by a debt collector?

You will recall that, at the time that these measures were announced by the Coalition during the Federal Election, ACOSS urged that any automated data matching system and subsequent action be conducted in a humane and reasonable fashion. It is clear that at the present time, this is not the case. ACOSS can see the future potential of accurate data matching to reduce the incidence of overpayments and accrual of debt, in the interests of both the Government and income support recipients, particularly for people on very low incomes. However, the implementation of this approach must be carried out in an appropriate fashion, with an appropriate level of human engagement to ensure effective communication, accuracy of information, appropriate discretion and that individual circumstances are properly taken into account.

We would appreciate a response from you before Christmas. Please do not hesitate to contact me on (02) 9310 6200. I would also like to meet with you in early 2017 to discuss these and other matters concerning the administration of our social security system.

Yours sincerely,



Dr Cassandra Goldie
Chief Executive Officer, ACOSS



Australian Council of Social Service

19 January 2017

The Hon Alan Tudge, MP
Minister for Human Services
PO Box 6022
Parliament House
Canberra ACT 2600

Dear Minister Tudge,

Thank you for meeting with us yesterday to discuss the automated debt recovery action undertaken by the Department of Human Services, following our letter to you of 21 December 2016 (attached again).

As reiterated during our meeting, ACOSS calls for an immediate end to the automated debt recovery program, and for the Government to convene a stakeholder roundtable in the next few weeks to design a humane and fair approach to debt recovery. We also urge you to adequately resource services to deal with the fallout of action taken to date. We must ensure that appropriate human contact and decision-making can be made with any future debt recovery action to ensure that debt notices are accurate, and that any repayment arrangements take into account a person's individual circumstances and vulnerabilities.

During our meeting, we highlighted to you the unique power that the Commonwealth Government has over people's lives whether as recipients of social security or as taxpayers. As a result, it is essential that the Commonwealth adhere to the highest of standards with respect to the raising of debts against people, and the kind of debt collection action that may follow. Human involvement is absolutely essential. Action by Centrelink must be taken in a humane and fair manner.

Our deep concerns with the auto-debt recovery process include:

- The reversal of the onus of proof onto people receiving payments.
- Failure to properly investigate the accuracy of the automated data-matching.
- Lack of human involvement in the detection and calculation of overpayments.
- Requirement for people to gather evidence of their income from up to six years ago.
- Automated debt recovery and deduction of amounts from people's income support, without human intervention.
- Inability of people to make contact and speak with a Centrelink staff member.



In light of the further very serious allegations released by GetUp today, we also urge you to support these allegations being independently investigated, and to ensure that Centrelink whistle-blower staff are adequately protected. It is vital that confidence in the role of Centrelink is not further undermined, given the essential role that the agency plays in people's lives.

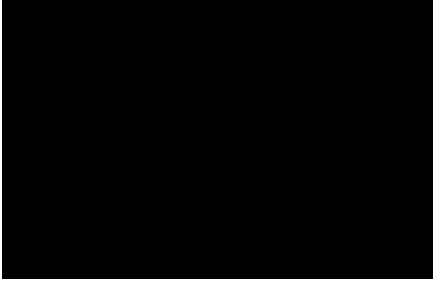
In relation to the stakeholder engagement we believe should form part of your process to design a fair and humane system of debt recovery, we propose that you include a diverse representation of civil society organisations representing people directly affected, service providers working with people, and experts in social security. Examples of the organisations to be included are the National Social Security Rights Network, Legal Aid Commissions, the National Association of Community Legal Centres, National Aboriginal & Torres Strait Islander Legal Services, as well as groups such as the Federation of Ethnic Community Councils Australia, People with Disability, Australia; service providers such as Anglicare Australia, and the CPSU representing staff working directly with people on the front line of human services delivery.

Further matters to be followed up on by your office following our meeting include:

- 1) The Department of Human Services will issue a fact sheet outlining all the changes made to date to the debt recovery system;
- 2) You will provide us with clarification on how the 10% debt recovery fee is being applied and whether any changes were made since July 2016 in the application of the fee under the automated debt recovery program.
- 3) A briefing on the new WPIT will be provided to ACOSS so we can provide feedback on appropriate consultation with support recipients and representatives.
- 4) Your office will provide written responses to all the questions below which were raised in the letter sent on the 21 December 2016.

Given the urgency of the situation, we asked that you respond to our requests by early next week. We look forward to your early reply.

Yours sincerely,



Dr Cassandra Goldie,
CEO
ACOSS



The Hon Alan Tudge MP
Minister for Human Services

MC17-001263

Dr Cassandra Goldie
Chief Executive Officer
Australian Council of Social Service
Locked Bag 4777
STRAWBERRY HILLS NSW 2012

Dear Dr Goldie

Thank you for meeting me on 18 January 2017, and for your correspondence of 21 December 2016 and 19 January 2017, about letters sent by my Department regarding potential welfare overpayments.

The Australian Government takes seriously its responsibilities for ensuring the integrity of the welfare system. Our aim is to ensure that people receive what they are eligible under law and, if there is an overpayment, then it is paid back.

An important part of ensuring welfare payment integrity is checking the income data that a person self-declares to Centrelink with the income data held by the Australian Taxation Office. Such checking has been in place since the introduction of the *Data Matching Program (Assistance and Tax) Act 1990*. The online compliance system matches data in accordance with the *Guidelines on Data Matching in Australian Government Administration (the voluntary data matching guidelines)*.

While the online compliance system uses more technology for part of the standard compliance review process, it does not change how income is assessed or how debts are calculated.

It is important to note that letters are sent to people who have received income support payments if there is a difference between the information reported to the Department and the information reported to the Australian Taxation Office. The first letter sent asks the recipient to confirm or update the information. This is not a debt letter. As you would be aware, we have made changes to ensure that the initial letters are written in more accessible language. For former welfare recipients that may have changed address, the Department is also implementing new processes and accessing multiple addresses.

People are asked to confirm or update their information online, but at any stage they can seek assistance from the Department by calling the dedicated number - 1800 086 400.

People have 21 days from the date of the initial letter to update their information. If they do not respond by the 14 day mark, they receive a further reminder. An extension of time can be asked and will be automatically granted on two occasions. This provides up to a further 28 days if required.

If a debt is raised, people have several opportunities to have it checked. At any stage, they can ask for the debt to be reassessed. They can also seek a formal review. Finally, they can appeal to the Administrative Appeals Tribunal. Each of these avenues is free of charge, and new information can be provided at any stage.

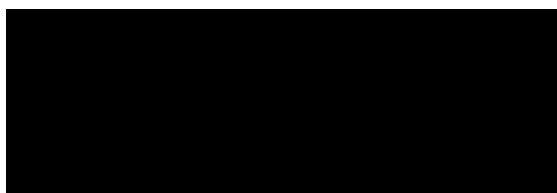
In terms of the timing, the '*Strengthening the Integrity of Welfare Payments*' budget measure was announced in the 2015-16 Federal Budget – over 18 months ago – and commenced on 1 July 2015. Letters requesting people to confirm or update their information have been issued progressively since that time.

The Government has been making refinements to the system since it was first introduced and we will continue to make refinements based on the ongoing feedback we receive from stakeholders and recipients. Our aim is to make the system and its outcomes as reasonable as possible to both the recipients of welfare as well as the taxpayers who fund it.

I previously offered for my department to provide further consultation with you and I understand a time has been agreed.

I trust this information is of assistance to you.

Yours sincerely,

A large black rectangular redaction box covering the signature area of the letter.

Alan Tudge

A black rectangular redaction box covering the name of the sender, Alan Tudge.