



Australian Government



Services
Australia

Centrepay Reform

Discussion Paper

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CENTREPAY PROGRAM & MDT BRANCH | WORKING AGE AND PENSION PROGRAMS DIVISION

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1. Introduction

1.1 What is Centrepay?

First established in 1998, Centrepay is a voluntary free bill paying service offered by Services Australia (the **agency**) for Centrelink customers.

Through Centrepay, a customer can authorise the agency to arrange deductions from their welfare payments to account for expenses authorised with a registered Centrepay business. Deductions occur prior to the Centrelink payment being deposited into a customer's nominated bank account.

If customers are currently receiving an eligible Centrelink payment, they can use Centrepay for a range of goods and services, including:

- accommodation,
- education and employment,
- financial products,
- health,
- household-related costs,
- legal and professional services,
- travel and transport, and
- utilities.

Currently, Centrepay supports more than 600,000 customers to pay for goods and services across more than 15,000 businesses.

1.2 Centrepay Reform

Centrepay has aimed to provide a seamless and supportive process for customers to self-manage their approved goods and service expenses. The agency, however, recognises that for some customers Centrepay is not operating in line with its objective, and that the service requires further levels of support and protections for customers.

The agency is committed to working closely with customers, peak community advisory groups, business and Government to strengthen and innovate the Centrepay service, to ensure it meets the ongoing needs and expectations of customers and the broader community.

In undertaking this work, the agency will also draw upon insights and learnings from previous engagements and reviews.

1.3 Discussion Paper

The purpose of this paper is to seek feedback and insights from key stakeholders and the community to support (and inform) the agency's work in reforming the Centrepay service.

In January 2024, the agency convened a Centrepay Reform Design Workshop, where representatives from advocacy groups assisted the agency to identify the following key priority areas for reform:

- policy intent,
- customer experience,
- communication and education, and
- compliance.

While this paper focuses on these reform elements, these are not exhaustive, and the agency encourages you to address any further areas for improvement as part of your responses.

1.4 Your feedback

To assist the feedback process, the agency has posed a series of questions throughout this consultation paper for your consideration and contribution.

Similarly, to the key areas for reform, these questions are designed as a guide only to seek your views on critical reform elements.

Your feedback will assist the agency in building a stronger service that meets the needs and expectations of the community.

Submissions can be made via the DSS Engage platform.

Submissions will close at 11.59pm AEST on Wednesday 10 July 2024.

2. Policy Intent

2.1 Centrepay Objective

The current *Centrepay Policy and Terms* outline the Centrepay service objective:

'The objective of Centrepay is to assist customers in managing expenses that are consistent with the purpose of welfare payments, and reducing financial risk, by providing a facility to have regular deductions made from their welfare payments.'

The agency recognises that since its establishment, the needs of Centrepay customers and stakeholders may have changed. In addition to reviewing the Centrepay service objective, the agency has also commenced work to further consider the policy intent of the service.

Services Australia is committed to reforming Centrepay policy to empower customers to self-manage expenses for essential goods and services to assist in building and supporting independence and financial empowerment.

The Centrepay policy reform process will address several critical areas, including:

- Safeguards and protections for customers to reduce financial harm.
- Ensuring the right products and services are available through Centrepay.
- Identifying high-risk products, services and business practices that do not align with the intent of the program.
- Centrepay as a tool for customer financial empowerment and self-management.
- Requirements and obligations for businesses using Centrepay.
- Centrepay assurance framework.
- Complaint and escalation pathways for customers and third parties.

Question:

- Do the critical areas for reform outlined above reflect the evolving needs of customers and stakeholders?

2.2 Approved Goods and Services

In line with the current *Policy and Terms*, a customer may elect to establish a Centrepay deduction for goods or services from one or more of the following categories:

Category	Description
Accommodation¹	Residential accommodation including rent, board and bond
Education and Employment	Education and childcare provided by registered providers and employment related expenses
Financial Products	Low or special interest loans, insurance premiums, deposits paid to savings programmes
Health	Costs and expenses associated with medical equipment and services
Household	Purchase of basic household items including food, clothing and footwear. Lease/hire/rent-to-buy of household goods regulated under the <i>National Consumer Credit Protection Act 2009</i> (Cth)
Legal and Professional Services	Expenses associated with legal and other professional matters
Social and Recreational	Expenses related to community, social and recreational participation
Travel and Transport	On road vehicle expenses, general transportation and furniture removal and storage
Utilities	Private, State and Territory government utilities and local council services

¹This category does not include public housing. For public housing refer to the Agency's Rent Deduction Scheme.

Most recent data confirms that 79% of Centrepay deductions (by value) are made for accommodation and utility purposes.

The remaining 21% of deductions (by value) account for a broad range of approved goods and services, that in some cases may not be providing the best value for money or operating within the best interest of customers.

Customer advocates have told us customers may be at risk of longer-term financial vulnerability and hardship through acquiring some of the goods and services accounted for within this 21% cohort.

Questions:

- Does the current list of authorised goods and services include what should be available through Centrepay?
- Are there any specific goods and services, including those already approved on the program as per the listing above, that should be excluded from Centrepay?
- What criteria should be used to consider whether to include or exclude any goods or services?

2.3 Deduction Arrangements

The current *Policy and Terms* outline that customers can elect a variety of Centrepay deduction arrangement types, including:

- ongoing deductions,
- deductions with target amounts, and
- deductions with end dates (specified timeframe).

In accordance with the current *Policy and Terms*, customers can elect to cease or vary their Centrepay deduction at any time.

While there is a \$10 minimum per deduction for Centrepay deductions set by the agency, there is no current maximum limit on the amount/portion of a customer's Centrelink payment that can be allocated to a Centrepay deduction.

Current data shows that less than 1% of Centrepay customers have authorised deductions greater than 80% of their Centrelink payment.

From 1 May 2024, the agency is implementing restrictions to mandate the inclusion of target amounts for all businesses using Centrepay for the Basic Household Item service reason. These restrictions include a cap on the maximum target amount that can be applied to any deduction within this service category.

Questions:

- Are the current Centrepay deduction types sufficient and provide the appropriate flexibility to support customers in managing their own finances?
- Should there be restrictions on the types of deductions (i.e. ongoing, amounts) that can be established for specific goods and services?
- Should there be a maximum percentage limit on the amount customers can allocate from their Centrelink payment to their Centrepay deductions? Should this percentage apply to all Centrepay service reasons or to a selection of service reasons?

Where approved by the agency, a registered Centrepay business can establish a Centrepay deduction arrangement on behalf of a customer, where the relevant customer authority has been obtained.

As part of this arrangement and once established, a business may decrease, pause or cease a Centrepay deduction arrangement, however, cannot increase or create a new arrangement or alter a target amount, without obtaining a new authority from the customer to do so.

Questions:

- Should businesses retain the ability to establish Centrepay deduction arrangements on behalf of customers?
- Should certain businesses have conditions imposed limiting the access they have to manage deductions on behalf of customers?
- What are the further conditions that should be applied to deduction arrangements to further strengthen customer protections?
- Does the agency's existing Centrepay resources and information available to customers clearly outline the customer authority process and customer's ongoing requirements to manage their deductions?

3. Customer Experience

3.1 Access to Centrepay

The agency understands that each customer will interact with the agency differently and is committed to ensuring that Centrepay customers are informed and in control of their own Centrepay deductions.

As part of Centrepay reform, the agency is focused on ensuring that Centrepay customers can interact with the agency in a way that best suits their needs. This includes utilising the agency's digital platform myGov, call centres and face-to-face service centres.

As part of this, the agency would also like to better understand the types of Centrepay information that would further support customers in self-managing their finances and payment arrangements. The agency has heard from key stakeholders that initiatives such as text messaging, enhanced myGov dashboard capability or tailored letters may assist.

Questions:

- What types of information would better support customers to understand and manage their own Centrepay arrangements?
- How can the agency, and registered Centrepay businesses, better support customers when things go wrong?
- What are the specific cultural, geographic and language barriers impact customers' ability to use Centrepay?

3.2 Complaints

The agency has in place an established customer complaint management process, where customers can lodge a complaint or provide feedback via an online platform, telephone call or in person at a service centre.

Customers can raise complaints in relation to the Centrepay service, including their deduction arrangements via this established service.

It is the role of the agency to contact the customer directly when a complaint is received to understand the desired outcome of the customer and to take the necessary actions to address the complaint.

Internal data indicates that customer complaints relating to Centrepay represent a small portion of the total amount of complaints received by the agency.

The agency has heard that customers may be reluctant to make a complaint in fear of adverse impacts to their deductions. Additionally, the agency also understands that its complaint management processes are not always easily understood or accessible to customers and or their advocates.

Questions:

- What improvements could be made to the complaints management process for Centrepay customers?
- How can we better advertise and communicate the channels and avenues through which complaints can be made?
- Are there any known barriers or perceived issues that are impacting on a customer's ability or willingness to raise concerns with the agency in relation to their Centrepay arrangements?

4. Business

4.1 Becoming a Centrepay Registered Business

As at 31 March 2024, 15,029 Australian businesses are registered to receive Centrepay deductions.

The current *Policy and Terms* outline 13 key criteria, and an additional 8 obligations that businesses must satisfy and adhere to, in order to qualify as a registered Centrepay business.

In addition to the *Policy and Terms*, businesses are provided with a *Procedural Guide for Businesses*, which provides practical information about the operation of Centrepay.

The current application process for business includes completion of a *Services Australia Business Application – Centrepay (SA389)*. Advocate groups have suggested that this form is too simplistic, and that the application process should include a formal written agreement between the business and the agency.

The agency considers that access to Centrepay deductions for businesses is a privilege and that improved safeguards and protections must be implemented to reduce financial harm to customers. The agency is focused on ensuring that appropriate sanctions and actions are taken against businesses operating inconsistently with the law, *Centrepay Policy and Terms*, and community expectations.

Questions:

- Having regard to the Centrepay Procedural Guide for Businesses, are there any further obligations that businesses should be required to comply with in order to become or remain an eligible registered Centrepay business?
- What community expectations could be incorporated into assessing Centrepay registered businesses?
- What risk factors should the agency consider in assessing a business for Centrepay registration?

4.2 Business models

In accordance with the current *Policy and Terms*, registered businesses are required to:

...have at least one viable payment method for Customers to pay for goods or services in addition to Centrepay.

The intent of the above is to ensure that customers are afforded flexibility and choice in how they wish to purchase goods and services, irrespective of their individual circumstances. It is possible that some businesses' operating models preference and advocate for customers to utilise Centrepay over other payment types.

As part of the Centrepay reform, the agency is eager to ensure that the Centrepay service is utilised by businesses as a payment method rather than a business operating model. Some business models currently in use include but are not limited to:

- Layby, an agreement when payment for specified goods is made in instalments, and customers do not receive the goods until the full price has been paid.
- Book-up, where the business allows customers to obtain goods or services immediately and pay for them later.
- Credit Banking or payment in advance, where the customer is yet to make a purchase and is paying towards a future good or service.

Questions:

- What, if any, additional conditions should be placed on businesses to ensure increased flexibility and protections for customers when considering the use of Centrepay as a payment method?
- What flags would you expect the agency to be monitoring to trigger engagement with businesses in relation to their compliance with Centrepay policies?
- Are there any business models that should be excluded from Centrepay and if so, what criteria should be used to consider their inclusion or exclusion?

5. Compliance

5.1 Current Compliance Processes

The agency recognises that the current compliance processes for Centrepay have not met the expectations and needs of customers and the community. The agency acknowledges that a new approach is required for certain sectors of the service and is committed to ensuring that all registered Centrepay businesses adhere to the obligations and responsibilities set out within the *Centrepay Framework*. This includes acting in good faith and in alignment with the intent and purpose of the Centrepay service.

As part of the current *Centrepay Framework*, registered businesses must comply with any direction issued by the agency, including full participation in all compliance review processes. When undertaking a compliance review, the agency may assess a business's compliance to the Centrepay service by assessing one or more of the following key criteria:

- a. *obtaining, retaining and storing of Deduction Authorities*
- b. *obtaining, creating, retaining and storing of customer information necessary to validate account payments.*
- c. *the use and disclosure of customer information, including the CRN*
- d. *the business's use of the agency's intellectual property, including compliance with the terms of any licences given by the agency*
- e. *the business's use of Centrepay,*
- f. *the business's compliance with the Centrepay Framework*
- g. *the business's adherence to applicable laws and regulatory requirements*
- h. *all monies paid by customers are attributed to customer accounts and fees are not being charged to access the service*

The agency conducts reviews in response to data triggers and analysis and complaints received by the agency. The agency also undertakes randomised selection processes to review registered businesses.

Where a compliance activity is undertaken by the agency and a business is identified as non-compliant, or being at risk of non-compliance, the agency can undertake one or more of the following actions:

- Remediation of the non-compliant behaviours through education, support, and training in instances where the non-compliance/potential non-compliance is considered low risk.
- The application of additional conditions on the business's approval.
- Temporary suspension
 - The business is provided an opportunity to remediate non-compliance concerns.
- Permanent de-registration as a Centrepay approved business.

The agency recognises that its existing Centrepay compliance processes require further strengthening and reform, with work currently underway to develop a robust and comprehensive compliance framework.

Questions

- What should a business be monitored against to remain registered as a Centrepay business?
- What information should be made available, to Centrepay customers and the public, regarding any compliance action taken by Services Australia against a Centrepay registered business?

6. Overpayments

Businesses are obligated under the Centrepay Policy and Terms to ensure that overpayments do not occur, and to notify both the customer and the agency immediately if they do.

If a customer is no longer receiving goods or services from a business, the business is obligated to cancel the deduction before the next scheduled deduction if the customer has not already done so.

Overpayments usually occur when a customer does not update or end a deduction. An example of this may be where a customer has a regular deduction with their energy provider and fails to update this when they move.

The agency acknowledges that the method for rectifying overpayments require improvement to ensure a more helpful and transparent process.

Overpayments are more common in the utilities sector and occur where customers do not proactively manage their Centrepay deductions. The practice of 'bill smoothing' is common in the utilities sector and is often facilitated without the use of Centrepay. Additional risk factors in this sector occur when Centrepay deductions are in the name of a customer who may not be the main account holder at the business.

If overpayments do occur, businesses must take remedial action including refunding amounts directly to customers. If the business is unable to return the overpayment, they must contact the agency for assistance with returning payments to customers.

Businesses generally work with their customers first through internal campaigns to return overpaid funds directly to the customer. The agency supports businesses who have been unable to contact customers to facilitate the return of funds.

Upon notification of an overpayment, the agency works with the business to ensure that adequate attempts have been made to return any outstanding funds to the customer. This process can take time while the agency works with the business to confirm the scope of the overpayments.

The agency acknowledges that the existing overpayment processes require improvement, to ensure they are customer focused and expedite the return of monies to customers as soon as possible.

Questions

- What information and further assistance would be useful to customers when an overpayment has occurred?
- How would customers prefer to be notified about overpayments?
- What factors are contributing to customers accumulating credit with businesses? And how can the agency better support customers to avoid overpayments with businesses?

7. Consultation and Engagement

The agency is committed to reforming the Centrepay service through ongoing and active consultation with a wide range of stakeholders, including customers, advocacy groups, businesses and peak bodies.

As part of this active consultation, the agency has established a dedicated Centrepay Reform Peak Advisory Reference Group. The role of the reference group will be to provide advice and feedback to the agency on how the Centrepay program can be further refined and enhanced to better support and protect customers.

The agency will ensure that regular community consultation on the Centrepay service continues throughout the reform process, with additional post reform engagement following completion of the Centrepay Reform.

Question

- What does meaningful consultation and engagement look like to you with respect to reforming the Centrepay service?

8. Attachments

Throughout this paper a number of documents are referenced, they are included below:

1. *Centrepay Policy and Terms*
2. *Centrepay Procedural Guide*