

Including SSAT Decisions

Opinion

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Centrelink debt recovery and debt prevention – room for improvement

The issue of Centrelink debts is one that is now firmly on the public policy agenda. A recent report by the Auditor General into Centrelink's management of debt found significant room for improvement, and Centrelink has taken the first steps by re-organising its debt recovery structure. This article explores recent developments and poses the challenges ahead if Centrelink is to truly get a handle on the debt problems that confront hundreds of thousands of Australians.

If you mention social security debt, odds on you will hear assumptions being made about people 'fleecing the system' or being lazy in relation to their obligations. If you then start throwing around figures like the 600,000 social security recipients who received more than their correct entitlements last year, or the nearly one billion dollars of social security debt owing at 30 June 2003, then the assumptions are likely to turn into hysteria.

The recent report by the Australian National Audit Office (ANAO) *Management of Customer Debt – Centrelink*, has put these figures into perspective and confirmed what the National Welfare

Rights Network has been aware of all along — debts arising from fraud comprise only a miniscule fraction of the total number of debts raised.

In fact, the overall incidence of customer debt in Centrelink is relatively low. Outstanding customer debt at 30 June 2003 represented approximately one third of one per cent of relevant Centrelink payments made since Centrelink came into being in 1997. The report also recognises that this level of debt is partly attributable to Centrelink's administrative errors.

Recommendations

The ANAO made findings and recommendations in seven key areas relating to the management of social security debt, including debt recovery and debt prevention. Of particular concern to the National Welfare Rights Network was the ANAO's finding that Centrelink did not in any way measure or monitor the experiences of the person paying back a Centrelink debt. That is, Centrelink was unable to demonstrate that its debt recovery procedures were not placing social

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Editor: Andrea Treble

Contributors: Elizabeth Hampton, Christine Heazlewood, Simon Letch, Helen Mares, Mary Anne Noone, Sophia Panagiotidis, Rob Phillips, Phillip Swain, Joo-Cheong Tham, Andrea Treble.

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Please address **all correspondence** to Legal Service Bulletin Co-op, C/- Law Faculty, Monash University Vic 3800

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security recipients in real financial hardship. It also found that, up until recently, Centrelink was accepting repayment of debts via credit cards. This is not the type of recovery procedure that would indicate a real concern for the financial well-being of social security recipients.

Also of concern were the ANAO's findings in relation to Centrelink's debt raising mechanisms. The ANAO found, after talking to Centrelink staff, that Centrelink Customer Service Officers are often reluctant to waive debts. This means that proper regard to a person's circumstances and the possibility of waiver is not given at the time the debt is raised. Debts that should have been waived from the outset are being raised and recovered. The ANAO pointed to such things as the lack of training received by debt-raising staff about debt waivers, and the belief that the downstream appeal processes would correct any incorrect decision not to waive.

Given that social security recipients are often confused about their rights of review, and that the appeals process can often be a long and drawn-out affair, this is clearly an inadequate attitude towards accountable decision-making.

Centrelink response

Ongoing community dissatisfaction with the conduct of Centrelink Debt Recovery Officers, and recognition by Centrelink itself that its treatment of clients with debts was far from perfect, led recently to an announcement by the former Minister for Children and Youth Services, Larry Anthony, that Centrelink would overhaul its debt recovery teams into 'Centres of Excellence'.

From October 2004, Centrelink will introduce four main changes in an attempt to address problems within Debt Recovery:

- amalgamation of the existing 13 Debt Recovery Units into five Units. Centrelink is proposing that this will provide greater control and consistency over debt recovery practices;
- a new Key Performance Indicator has been negotiated with the Department of Family and Community Services and the focus will now be on the percentage of debts under management (set at 65%) rather than the dollar value of debts recovered;
- a new national '13' number; and
- new training packages for debt recovery staff that will seek certification.

In addition to the above initiatives, this article suggests that a number of other legislative and administrative

amendments would further substantially reduce the number of social security debts which are incurred.

Family Tax Benefit debts

Reform of the Family Tax Benefit (FTB) system is required to reduce the number of debts that people in receipt of FTB incur, through no fault of their own. Since 2000 there have been almost 2.2 million FTB debts raised (with the average being \$900). This means that one in three Australian families receiving FTB has had an FTB debt.

The current FTB rules mean that many people are required to estimate their taxable income for the upcoming financial year. Where a person receives an unexpected salary increase, or works overtime, or changes jobs, it is inevitable that in many cases their original estimate will be inaccurate. However, as the rate of FTB was paid on the basis of the original estimate, a debt ensues. More regular reviews of FTB with regard to reporting of income would lead to a reduction in the amount and number of FTB debts.

Notices

Another area that Centrelink must address is the quality of its notices (letters) to its clients. Simply issuing a person with a notice (often on an irregular basis) with the important information about income and reporting procedures on the back of the notice in fine print, is not necessarily the best way to ensure that people understand their obligations.

Furthermore, Centrelink uses client reciprocal obligation notices almost as if they were a disclaimer of responsibility and ignores implementing other procedures to reduce debts. The notices should be changed so that the income Centrelink has recorded for a person is placed centrally on the *front of the letter*, in plain English. The notices should clearly explain the possibility that the income could be recorded incorrectly, and that incorrect recording may cause a debt.

Review forms

Another administrative area which needs some fine tuning is the use of review forms for pensions and allowances. A lot of debts are discovered by Centrelink when people correctly complete an income review form, often after several years of little or no contact from Centrelink about their rate of payment. While there are legitimate concerns about the overuse of review forms, better targeting of these forms is required as a means of reducing debts.

Another area of confusion is the relationship between Centrelink and the Taxation Office. Many people mistakenly assume that they have fulfilled their Centrelink income notification obligations by providing Centrelink with a copy of their tax return each year. Many people fail to realise that social security law still requires that people notify Centrelink within a fortnight of changes to their income. Failure to do so may lead to a debt, even where the person has notified the Taxation Office of their income and supplied Centrelink with a copy of their tax return.

There is widespread belief that there is automatic swapping of information between Centrelink and the ATO. This is not the case — except of course where Centrelink uses its data matching powers to identify, rather than prevent debts.

Increased attention also now needs to be focused on the raising of debts. One sobering statistic is that the Auditor General's report found there is almost \$1 billion of debts in the system that have not been acted on. A key issue here is the adequate resourcing of Centrelink to do its job effectively. And with almost half of all Centrelink debts belonging to people not on a Social Security payment, the activities of mercantile agents will come into stronger focus. Centrelink is currently in the process of re-tendering for this work.

The National Welfare Rights Network welcomes the focus that Centrelink and the Department of Family and Community Services are putting on the debt issue, in particular on measures which can be introduced so that people may avoid debts. Some of the recent Budget measures specifically focus on debt prevention.

In a first, Welfare Rights was recently asked by Centrelink to address each of their debt recovery teams around Australia, in preparation for the new procedures for managing debts from 1 October.

It is extremely positive that Centrelink is taking steps to address critical problem areas in its recovery of Centrelink debts. Welfare Rights will be watching these recent developments closely, and working with Centrelink to ensure that its procedures are fair, transparent and accountable and that its debt recovery practices do not place people in severe financial hardship.

Gerard Thomas

Policy and Media Officer, Welfare Rights, Sydney