Australian government debit system a "vehicle for financial abuse" of welfare recipients

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A recent investigation by the *Guardian* shows that the federal government's Centrepay bill-paying scheme has exposed thousands of welfare recipients to financial harm, with consumer advocates stating it has become a "vehicle for financial abuse."

This includes $174 million taken from Indigenous clients by the now-defunct funeral insurance group Youpla, and at least $700,000 handed over to utility companies from the accounts of people who were no longer customers.

Gas and electricity provider AGL is now the subject of a federal court case brought by the national energy regulator over its alleged abuse of the Centrepay scheme.

The company was first warned that it was engaging in "serious non-compliance," including "failure to cancel a Deduction after a Customer ceased to be an ongoing customer," in 2013, by Services Australia—the government agency that handles welfare payments.

Yet the practice continued. Between December 23, 2016 and October 14, 2021, AGL allegedly received more than $700,000 in overpayments from around 575 Centrepay users who were no longer customers.

This was despite the fact that, according to court documents seen by the *Guardian*, Services Australia sent daily reports to the company throughout this period, detailing Centrepay deductions and the AGL account numbers they pertained to.

In one case, a Centrepay user stopped being an AGL customer in February 2018, but a further 74 deductions, totalling $6,800, were made until December 2020. In another, AGL received 100 Centrepay payments from a former customer, depriving them of $4,111 in welfare payments between January 2017 and December 2020.

AGL has denied that it "did not take proper steps" to prevent overpayments such as these, claiming the company did not have the authority to cancel deductions. Instead, customers were told "from time to time, albeit not on a systematic basis" that they should notify Services Australia when they closed their account with AGL.

In other words, vulnerable people, using Centrepay in the hope that it would help them manage their extremely limited financial resources, were on their own. Compounding this, many Centrepay users are in remote areas, without ready access to online portals through which adjustments to automated payments could be made.

Origin Energy and Ergon Energy have also been found to have received payments from Centrepay users who were no longer customers. It is not clear how much the two utility companies have received in overpayments or how many Centrepay users have been affected.

Also unknown is whether these practices are ongoing, because Services Australia has not audited AGL or Ergon's use of Centrepay in the past two years.

Initially limited to rent and utility bills, the Centrepay scheme was subsequently expanded to include retail and other services, with more than 15,000 companies now approved for Centrepay. Dozens of these businesses continue to be included in the scheme, despite being under investigation, or even having been penalised for, questionable conduct and potential breaches of consumer protection laws.

There are "more and more predatory practices emerging in what was originally designed to be a really safe model," according to AnglicareNT financial counsellor Caitlin Bender, while lawyer Mark Holden has said that businesses “are financially motivated to take advantage of Centrepay to deduct as much Centrelink as possible.”

Some of the most egregious abuses of the Centrepay scheme have emerged from its expansion to include “rent-to-buy” appliance sellers, which particularly target remote Aboriginal communities. Some 122 of these operations remain connected to the scheme despite having previously been sanctioned by the Australian Securities and Investments Commission (ASIC) for predatory conduct.

An ASIC spokesperson said the regulator had raised this multiple times with Services Australia, but remained concerned that some of these businesses “provide consumer leases which may place customers into financial hardship,” with deductions for consumer goods “prioritised over essentials such as rent and food.”

In one example reported by the *Guardian*, an indigenous welfare recipient signed a contract to purchase a TV with a business using Centrepay for $86 a fortnight. She was not given a copy of this contract, nor was she provided with any records of the progress of her repayments. After she was threatened with court action when the automatic payments were interrupted, her legal advocates discovered that the business had deducted almost $6,500 for a TV worth only $1,400.

Centrepay is heavily targeted towards the most vulnerable and oppressed sections of the population, including in indigenous communities and other remote areas, with high levels of unemployment and social disadvantage, and where local access to shops and banking is extremely limited. Of the 620,000 users of the system, almost one third are Indigenous.

The Financial Rights Legal Centre says Aboriginal people in remote locations are being forced to seek emergency food relief because, after Centrepay deductions, there is not enough left of their welfare payments to live on. In one example, an Aboriginal woman with a long history of homelessness was paying more than $400 a fortnight to retail stores for items she no longer possessed.

The Centrepay scheme was introduced by the Liberal-National government of John Howard in 1998, and has been continued and expanded by every government since, including the Labor governments of Kevin Rudd, Julia Gillard and Anthony Albanese.

Ostensibly, it is a “financial management tool” that allows welfare recipients to have certain expenses deducted from their payments before the money enters their bank accounts. In reality, its purpose is to ensure that landlords, utilities and other businesses get the first cut of the pittance from which the unemployed, elderly, disabled, or otherwise disadvantaged are forced to eke out an existence.

For a single person, the Jobseeker payment amounts to just over $380 per week, far below the Henderson poverty line of $609 (before housing costs). Despite the soaring cost of living and the recommendation of its own Economic Inclusion Advisory Committee, the federal Labor government did not increase the Jobseeker rate in Tuesday’s budget, in line with its broader austerity agenda.

Governments have known for years about financial abuses under the Centrepay scheme, with numerous calls for “urgent reform” to protect vulnerable welfare recipients. But even if such reform were forthcoming, it would not address the underlying cause, the capitalist system, in which the most oppressed people are kept in dire poverty and the broader working class is forced to make ever-greater sacrifices to increase the wealth of corporations, banks and the very rich.