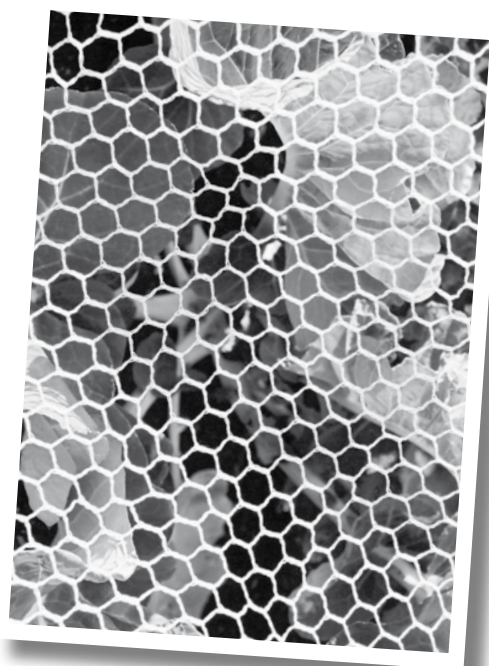


SARC *briefs*



Caught in the safety net: the costs of Centrelink debt recovery and prosecutions



This study explored the experiences of people who found themselves in debt to Centrelink. It was undertaken by the Social Action and Research Centre at Anglicare Tasmania. Information was collated through interviews with 21 men and women living in different parts of the State who had received assistance through two community legal centres in Tasmania. Their stories were analysed and their community legal centre files reviewed. This summary outlines the main findings and recommendations from the research.

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2

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They pay you behind all the time, so say I did two weeks' work it would be two and a half weeks after that I got paid. But because it was Centrelink, before you've got paid they want to know what your hours are, so you declare it, they penalise you, and if you work too many hours you get nothing from Centrelink and you are still waiting on this pay down the road here to buy petrol to go to work! Plus in your spare time please go to four job interviews.

Susan, working casually and receiving Newstart

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Interviews conducted with clients of Tasmania's community legal centres and a review of their case files revealed patterns of overpayments, poor communication by Centrelink staff and a lack of assistance to deal with the problem of Centrelink debt. In a number of instances this combination of pressures had led to customers being prosecuted and facing criminal conviction where there was little evidence of criminal intent to defraud.

Centrelink

- administers social security payments for a number of departments including the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), the Department of Education, Employment and Workplace Relations (DEEWR) and the Department of Veterans' Affairs.
- has 6.5 million customers nationally (Centrelink 2007), that is, around 1 in 3 Australians.
- distributes around \$66.3 billion in payments each year.
- has customers including working families with dependent children, people undertaking education or training, people who are unable to work because of disability or illness, people providing care for people with disabilities, the aged or foster children, aged pensioners, and people who are unemployed.

Tasmanians and Centrelink

- Tasmanians whose principal source of income is Centrelink: 31.5% (ABS 2007: 30)
- Australians whose principal source of income is Centrelink: 26.1% (ABS 2007: 30)

Key Finding 1: Patterns of overpayments

Overpayments had accrued for a number of common reasons. Centrelink processes are poorly matched to the working world of its income support customers, which for many is characterised by irregular and unpredictable casual work. Forms and reporting requirements are complex and difficult for people with linguistic barriers, literacy and/or numeracy problems or who are experiencing the particular life stresses associated with mental illness or providing care for a child with a disability. Small debts accrued over long periods with no communication from Centrelink about the problem that was mounting. While overpayments were commonly due to customer error, there was also some evidence of error on the part of Centrelink officers which resulted in overpayments and subsequent debt recovery from clients.

Key finding 2: Marriage-like relationships

The research found that an ever-widening group of relationships are being treated by Centrelink as 'marriage-like' or de-facto relationships. These included people living with their carer, and flatmates or students living in shared households. Living in a marriage-like relationship affects entitlement to income support so a decision by Centrelink that a customer is in a marriage-like relationship can have a very dramatic effect. It often means that the customer's income support is immediately cut-off and simultaneously a large debt (for example \$20, 000) is imposed. Our research found that customers were not always clearly notified by Centrelink that they were considered to be in a marriage-like relationship or given an opportunity to present their side of the story, nor did they have access to the independent advice they needed to deal with this complex legal area.

Key Finding 3: Poor access to assistance and independent advice

Centrelink customers dealing with overpayments were often not aware of services to help them such as Centrelink social workers or the welfare rights lawyers available through the community legal centres. The disturbing consequences of funding constraints to both legal aid commissions and community legal centres were also evident in the research, with participants identifying a trend toward pleading guilty in the absence of legal advice and

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I remember ringing Centrelink up three times about it and each person I spoke to gave a different piece of information. I noted it was different every time. Then they sent me a letter and that was different again.

Lena, working casually and receiving Newstart

The thing was it was on my file that I needed assistance, filling out forms and such. I never got it.

Mary, working casually and receiving Newstart

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I was hit with a \$20,000 debt and zero income at the same time. They cut me off two weeks before Christmas time I think it was, and that was it, no income no money, that's it... bang. How the hell do you survive?

David, on Disability Support Pension

So I declared everything I earned but it wasn't in the right dates so I got penalised for that, which was a debt of \$200. That may as well have been \$10,000 at the time, I was in tears, on the phone, absolutely having a breakdown...

Lena, working casually and receiving Newstart

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representation. This means that people are being prosecuted without the question of criminal intent, that is, the question of whether the customer intended to act dishonestly, being properly examined.

Key Finding 4: The impact of Centrelink debt

This research found that the consequences of the Centrelink debt for the research participants were severe. Debt repayments caused financial hardship and in some cases left Centrelink customers without money for basic expenses like rent, medicine or food. Participants, some with dependent children, described the consequences of having significant proportions of their income summarily removed and the consequent physical and emotional vulnerability.

Some customers went further into debt to meet expenses or went bankrupt. Worryingly, the stress of debt recovery processes and the threat of prosecution rendered some customers unable to contemplate work or study for long periods after the resolution of the debt matter.



Anglicare recommends

Declaring income

That Centrelink simplify its rules and practices about customers notifying income.

Marriage-like relationships

That Centrelink provide ongoing training for its officers in the interpretation of marriage-like relationship provisions.

That the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs amends its policy guidelines in relation to marriage-like relationships to address procedural fairness. This includes ensuring that customers are advised in writing of a proposed decision (including detailed reasons) and provided with an opportunity to respond.

Debt recovery

That sustainable repayment schedules which do not cause financial hardship are routinely offered to customers who have debts with Centrelink.

Communicating with Centrelink

That wherever possible customers should be provided with the name or position identification and the direct phone number of an appropriate officer with whom queries or difficulties about Centrelink can be discussed.

Review of Centrelink decisions

That Centrelink responds to customers indicating they would like to exercise their right to have a decision reviewed by an Authorised Review Officer, including when the request is made informally.

That additional funding be provided to Centrelink to increase the number of Authorised Review Officers.

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My eldest son was here when I got the letter (from Centrelink) saying you must pay (repay an overpayment). We rang Centrelink and I was crying and he took over and he said to the girl we know it's not your fault, but Mum told you from the very beginning (the payment was incorrect) and it just seems unfair.

Margaret, receiving Family Tax Benefit

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The first time I went in (to Centrelink) after I went to court I broke down, and she (Centrelink employee) said you haven't filled it in and I said I'm too scared to. I was just too scared to fill it in. I mean, I don't want to go to gaol.

Chris, working casually and receiving Newstart

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Preventing Prosecutions

That Centrelink adopts the benchmark of \$1,000 of debt as a trigger point for contacting customers. The communication with customers should offer the opportunity for an interview, a review of how to fill in forms, a discussion of repayment options and information about support options and the right of review.

Independent legal advice and representation

That the Commonwealth Attorney-General increase funding to Welfare Rights Services through the Community Legal Services Program and increase funding to State Legal Aid Commissions to meet the level of need for information, advice and representation in relation to social security law.

That the Tasmanian Attorney-General also support Welfare Rights Services in Tasmania as occurs in other States by funding the full cost of one welfare rights lawyer in the south and one in the north of the State (to provide services to the north and north-west).





Centrelink Debt

- Common causes of debt:
 - Miscalculations in declaring fortnightly earnings
 - Customer error
 - Centrelink error
 - Being determined to be in a marriage-like relationship
 - Glitches with other systems (for example the Child Support Agency)
- Number of debts dealt with by Centrelink in a year: 2,168,019 (Centrelink 2007: 35)

Debt Recovery

- Average debt incurred by research participants: \$8200
- Annual income of a Newstart Allowance recipient: \$11,175*

**Based on the maximum fortnightly rate of Newstart Allowance for a single person of \$429.80 in January 2008 (Centrelink 2008: 16) excluding rent assistance.*

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At first Centrelink wanted to take \$135 a fortnight! I went in there and said how are we to live? They said that was my problem, they wouldn't shift. But really we would have had nothing once we had paid the house. The community legal centre helped me to get it down to \$35 which I could manage.

Jack, receiving Aged Pension

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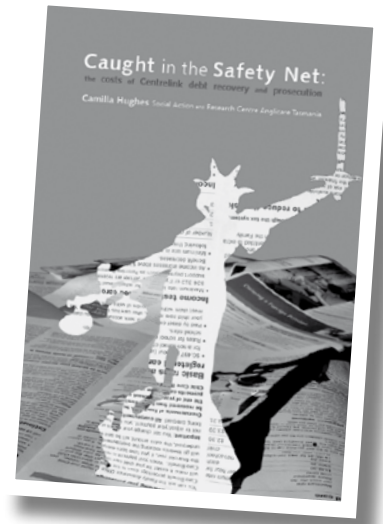
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For more information

The full report, *Caught in the safety net: the costs of Centrelink debt recovery and prosecutions* by Camilla Hughes, is published by the Social Action and Research Centre at Anglicare Tasmania.

It is available by calling **6234 3510**. It can be downloaded at **www.anglicare-tas.org.au**.



Social Action and Research Centre (SARC)

Anglicare's SARC team work with low income Tasmanians to identify the structural barriers that impact most severely on their lives. The Centre pursues policy change on these issues at a State and Federal level.