

OFFICIAL



Centrepay community consultation

Services Australia

Submission by the Commonwealth Ombudsman, Iain Anderson

10 July 2024

Introduction and summary

The Office of the Commonwealth Ombudsman (the Office) has received and investigated complaints about Centrepay from customers and community advocate bodies for many years.

Over the years, the Office has highlighted issues and provided feedback to Services Australia and its predecessors,¹ about how it handles Centrepay complaints, communication between customers and Centrepay approved businesses, and its approach to ensuring businesses comply with their obligations.

We welcome the opportunity to contribute to the current consultation and Centrepay reforms.

Background

The Office's purpose is to provide assurance that the agencies and entities we oversee act with integrity and treat people fairly, while influencing systemic improvement in government administration.

We aim to achieve our purpose by:

- independently and impartially reviewing complaints and disclosures about government administrative action
- influencing government agencies to be accountable, lawful, fair, transparent, and responsive
- helping people resolve complaints about government administrative action, and
- providing a level of assurance that law enforcement, integrity and regulatory agencies are complying with legal requirements when using covert, intrusive and coercive powers.

¹ For ease, references to Services Australia in this submission also references its predecessors the Department of Human Services and Centrelink.



Complaints received and previous engagement

Between 1 July 2014 and 30 June 2024, the Office received 94 complaints about Centrepay. People told us about:

- Services Australia's delay cancelling deductions resulted in money being paid to a business which could not be refunded as the business had stopped operating.
- Receiving conflicting information from the business and Services Australia about their Centrepay deductions.
- Services Australia's delays and inadequate responses to enquiries and complaints about Centrepay.

In 2014, the Office closely monitored Services Australia's implementation of recommendations made by the 2013 independent review into Centrepay. In 2015, we provided feedback on a revised version of the Centrepay policy and participated in Centrepay stakeholder forums between 2016 and 2017. We have also provided formal comments and suggestions to Services Australia following several complaint investigations. Over the years we have raised concerns about:

- Services Australia's approach to handling complaints about the actions of Centrepay approved businesses, with inadequate consideration of whether businesses had contravened the Centrepay Policy and Terms.
- Lack of guidance to support Services Australia's staff to effectively investigate complaints and test evidence with businesses.
- Limited requirements for businesses to provide information about Centrepay to ensure customers understood the deduction arrangement.
- Inadequate guidance for Services Australia's staff to assess whether businesses are claiming Centrepay deductions for 'high cost but low value' goods which are excluded goods under the policy and terms.
- Unclear provisions in the policy, including for businesses dealing with customer representatives and managing overpayments occurring through Centrepay.

Over the years, Services Australia has incorporated some of our suggestions and feedback in the Centrepay policy framework and its operational procedures.



Recent media reports² and concerns expressed about Centrepay by regulatory bodies³ have highlighted our long-held concerns about issues impacting Centrepay customers.

Improving Centrepay processes

The Centrepay Policy and Terms⁴ (policy and terms) and Centrepay Procedural Guide for Businesses (procedural guide)⁵ set out the obligations businesses must meet to be a registered Centrepay business. Additional conditions may be placed on a business in its approval letter. The policy and terms and procedural guide also outline Services Australia's assurance and compliance activities, including the circumstances where Services Australia may withdraw or suspend a business's Centrepay approval.

The policy and terms and procedural guide place the onus on businesses to safeguard customers from certain risks. For example, businesses are required to:

- Identify overpayments occurring through Centrepay deductions and arrange to refund overpaid amounts to customers.
- Ensure customers are offered more than one payment method and are not forced to agree to Centrepay deductions.
- Cancel Centrepay deductions when customers stop using the service.
- Not collect any money owed by a customer after they stop using the service through Centrepay.
- Not pass Centrepay transaction fees onto customers.
- Notify Services Australia about changes to business structures, including where a business is subject to regulatory action.
- Conduct their business in a lawful and ethical way, and to the benefit of customers.

² [Centrepay | The Guardian](#)

³ [Australian Securities and Investment Commission answer to question on notice – 20 October 2023](#)

⁴ V3.0 Effective from 10/12/2018

⁵ V6.0 effective from March 2024



We note that the policy and terms also state that, to be approved and remain approved for Centrepay, businesses must 'represent and warrant they have adequate administrative arrangements, processes and systems in place to support their agreements with customers and participation in Centrepay, in accordance with the policy and terms.'⁶

Based on the information publicly available, it is unclear whether businesses are required to provide evidence to satisfy Services Australia they have implemented appropriate processes in order to receive and maintain their Centrepay approval. We consider that requiring businesses to provide copies of their internal procedures would help strengthen customer protections, by enabling Services Australia to assess business processes, provide feedback where appropriate and gain assurance businesses have designed and established adequate processes to satisfy their Centrepay obligations. Assessing a business's internal policy and procedures would also assist Services Australia identify and take steps to remediate any practices likely to pose risk to customers.

Enhancing complaint handling

The Office's [Better Practice Complaint Handling Guide](#) explains that effective complaint handling helps agencies satisfy the general principles of good administration, including fairness, transparency, accountability, accessibility and efficiency. Individual complaints and analysing complaint data and trends can also identify opportunities to improve policy settings and administrative practices.

We acknowledge that complaints to Services Australia about Centrepay represents a small portion of the total complaints it receives.⁷ This is consistent with the number of complaints our Office has received about Centrepay. It is important to note that low complaint numbers do not necessarily reflect the community's overall satisfaction with a program or service.

In our experience, a single complaint can highlight issues impacting a significant number of people.

⁶ Section 5.1(e)

⁷ [Centrepay-Reform-Discussion-Paper-Final.pdf \(dss.gov.au\)](#) page 8 of 14



It is also important to consider whether the people who use the service have any recognised barriers to pursuing a complaint such as living with disability, cultural and linguistic diversity, low literacy, experiencing domestic and family violence and living remotely.

These factors may make it difficult for people to access information about complaint pathways or communicate their complaint effectively. They should also be considered when assessing customer complaints.

We acknowledge that Centrepay complaints can involve the actions of private business, which Services Australia does not have a legislative role in regulating. However, Centrepay can facilitate the actions of private business and Services Australia is responsible for ensuring that businesses comply with its Centrepay policy and terms and the procedural guide. In this sense, Services Australia has a critical and non-passive role to play in enabling the interaction between customers and private businesses through Centrepay.

It is essential that Services Australia staff who handle complaints about Centrepay have adequate guidance to support them to consider whether a business is complying with its Centrepay obligations or not. This includes guidance to identify and assess:

- Information which indicates the business may not be acting lawfully, ethically or fairly, as outlined in the policy and terms.⁸
- Matters that should be referred to a regulatory body, and the appropriate body.
- Evidence which suggests the business may not have complied with the policy and terms, additional conditions, or the procedural guide, such as correspondence between the business and customer.
- Whether the actions complained about are consistent with the business's internal policy and procedures, and if those procedures satisfy Services Australia that the business is complying with its Centrepay obligations.

⁸ Section 5.2



Consultation and engagement

We welcome Services Australia's commitment to consulting a wide range of stakeholders including customers, advocacy groups, business and peak bodies, including reaching out to our Office in May 2024, to discuss the current reforms.

The Office will continue to engage with Services Australia about these reforms, including Services Australia's plans to implement and evaluate change following the current consultation.

