



ACOSS Opening Statement

Inquiry into the Design, scope, cost-benefit analysis, contracts awarded and implementation associated with the Better Management of the Social Welfare System initiative

Wednesday 8 March 2017

Thank you to the committee for the opportunity to provide evidence at this inquiry. The Online Compliance Intervention program (the program) has affected at least 200,000 people so far, with 20,000 letters sent each week since November 2016. By the government's own figures, at least 20% of discrepancy notices are incorrect. It is unknown how many more have been sent in error, resulting in debts that don't exist. It is also unknown how many debts are higher than what is actually owed.

The program has caused extensive distress and suffering amongst those affected.

It hit full scale just seven weeks out from Christmas when people were trying to afford Christmas presents for their kids. Thousands of people have been worried sick about receiving a debt notice, with many believing they could go to jail because of a debt. For over 6,500 people, the first time they heard about having a Centrelink debt may have been from a debt collector because the Department sent letters to old addresses.

The Government has created a climate of fear around this program, from threatening people with jail time to threatening to release people's personal information if they speak out. ACOSS warned government before the last election when this program was first mooted that, if poorly designed, it could cause substantial financial hardship. This program has caused financial hardship and much more.

The government has shifted the onus of proof from Centrelink onto the individual in investigating whether a debt exists or not. This dragnet approach is an abuse of government power. Thousands of people have been forced to track down evidence of fortnightly income from up to six years ago to refute a debt.

This process has caused depression, anxiety, fear and frustration.

The program has disrupted people's lives as they try to address discrepancy notices and subsequent alleged debts; taking time off work; spending hours on the phone to Centrelink; going into Centrelink offices to only be turned away and trying to navigate a complicated the online portal. It has also placed great pressure on our community legal assistance centres as people seek help to address their debt notice and navigate the online portal.



There was no consultation with ACOSS about the program, and any consultation we are aware of was cursory at best. We believe that if proper consultation had taken place prior to the launch of the program with experts in social security, including us, National Social Security Rights Network and Legal Aid, many of its fundamental flaws could have been prevented before it was unleashed on real people.

We are not opposed to recovery of overpayments, but debt recovery must be accurate, fair and humane. None of these principles applies in this program.

We have repeatedly called for the program's end and for government to sit down with social security experts to redesign a system of fair and humane debt recovery. The minor changes made to the program since January (ie. using registered post and ceasing debt recovery where a debt is under review) do not address the fundamental flaws of the program.

The program must end to prevent further harm from being caused to thousands of people.

Our specific concerns with this program include:

1. The biggest one, is the generation of incorrect debts thanks to crude data-matching. The program averages out annual income over 26 fortnights rather than looking at income earned for each fortnight. Unless people enter their fortnightly income from years ago (and know how to do so), the system will make an incorrect assessment of earnings and generate a debt notice.
2. Previously, Centrelink would investigate data-mismatches between Centrelink and the ATO to be certain that a debt existed before undertaking recovery action. The responsibility to investigate now lies with the person targeted. We believe this is fundamentally unfair.
3. The government has changed Departmental guidelines to allow collection of a 10% recovery fee where they have no information about the person's circumstances that led to a debt. Normally this fee would only apply if the person knowingly or recklessly provided false information or withheld information. Now the fee applies wherever a reasonable excuse is not offered via the online portal, including where contact is not made. This is in contrast to the original intent of the 10% recovery fee, which was to penalise recipients who did the wrong thing, as opposed to those who made an inadvertent mistake.
4. Failure to adequately communicate with people has led to thousands of not receiving discrepancy and debt notices and the alleged debt ending up with debt collectors. While Centrelink could not track down people, debt collectors seemingly have had no trouble and there have been many reports of debt collectors acting inappropriately and making improper threats.
5. The recovery of debts under review is no longer allowed if the person requests a stay on recovery. However, thousands of people had their debts recovered whilst under review, which has added to the stress, frustration and financial hardship experienced



by people affected by this program. I should add that Centrelink has always been able to recover debts under review.

6. Community legal assistance centres that help people with social security matters have had increased caseloads because of this program, with some reporting a three-fold increase in demand. Our concern is that people are unable to get the legal assistance they need to contest a debt. We are also concerned for people who have a social security matter outside this program who may not be able to get timely advice and assistance because of the demand this program is generating.
7. The program does target vulnerable people where they acquired a vulnerability after they stopped receiving a Centrelink payment. It is also unclear how the program deals with people who speak English as a second language.

Please note: Text may have varied during Inquiry; actual text will be available in Hansard