



18 September 2014

By email: indigenousjobsandtrainingreview@pmc.gov.au

Employment Review Taskforce
Department of Prime Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600

Dear Sir/Madam

The Forrest Review and the Healthy Welfare Card

The Consumer Action Law Centre (**Consumer Action**) welcomes the opportunity to comment on the Healthy Welfare card proposed by the Forrest Review.

We believe that the implementation of the Healthy Welfare card as is currently intended may restrict the consumer choice of vulnerable people, as well as further expose them to exploitation.

Our comments are detailed more fully below.

About Consumer Action

Consumer Action is an independent, not-for-profit, campaign-focused casework and policy organisation. Consumer Action offers free legal advice, pursues consumer litigation and provides financial counselling to vulnerable and disadvantaged consumers across Victoria. Consumer Action is also a nationally-recognised and influential policy and research body, pursuing a law reform agenda across a range of important consumer issues at a governmental level, in the media, and in the community directly.

Consumer Choice

We have concerns that forcing welfare recipients to receive and spend their benefits on a certain card will adversely affect their consumer choice. By limiting their ability to pay with cash or restricting their shopping choices to certain stores, those on the card may be put in situations in which they cannot shop at budget or discount stores, or at cheaper venues such as fresh produce markets. As an example, we understand that existing recipients of the BasicsCard are unable to shop at Aldi as that retailer does not have a separate register for alcohol sales. This is a problem for those on the BasicsCard system as Aldi is often the cheapest retailer and therefore their best option. Similarly, fresh produce markets are also a cheaper option than mainstream retailers, but often do not have EFTPOS facilities and only accept cash. A welfare recipient

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restricted to an EFTPOS card for his or her purchases would not have the option of shopping at these places.

Inappropriate Merchant Behaviour

Income management methods such as the proposed Healthy Welfare card and the current BasicsCard can encourage inappropriate merchant behaviour, giving them the opportunity to profit from a consumer's desire for flexibility in how they spend their money. Past examples of this sort of behaviour have been found, where businesses would sell goods to a welfare recipient with a BasicsCard, then buy the goods back immediately for cash (for slightly less than had just been paid)¹. Behaviour of this kind could result in reducing the financial resources and capabilities of already vulnerable low-income persons.

Similar problems can arise with legal but exploitative businesses, such as those offering consumer leases on household goods. These leases are regulated by consumer credit laws, but are exempted from some of the consumer protections that apply to other forms of consumer credit (for example, disclosing the total cost of credit). Consumer leases can be an extremely expensive way to purchase a product, with the total payments over the term often being three to five times higher than the retail price of the goods, and being far more expensive than a high-interest credit card.² Commonly the contracts also impose early termination charges should the consumer wish to return the lease goods.

Businesses of this kind have previously taken advantage of payment systems designed for beneficiary recipients, such as the Centrepay system. They have also been known to target indigenous communities.³ Despite being a form of consumer debt, these businesses construct contracts as leases so as to secure repayment through Centrepay. Other forms of consumer credit are not permitted to use the Centrepay system. We are concerned that businesses will establish themselves to take advantage of income received on the Healthy Welfare card, in a similar way to consumer lease providers' use of Centrepay. This could be done, for example, through establishing recurrent payment mechanisms or direct debits on these cards. Given that the Healthy Welfare card will signify a low-income and perhaps vulnerable consumer, the prospect of businesses targeting these vulnerabilities is significant.

Technological Limitations

Finally, Consumer Action has doubts that the technology required to implement this plan as detailed in the Review exists. For example, current EFTPOS technology doesn't permit the segregation of purchase items as required by the Review.

¹ Northern Territory Legal Aid Commission, Submission No 75 to Senate Community Affairs Committee, Parliament of Australia, *Inquiry into Social Security and Other Legislation Amendment (Welfare Reform and Reinstatement of Racial Discrimination Act) Bill 2009 and Others* (2010), 13-14.

² Consumer Action Law Centre, *Submission to Independent Review of Centrepay System* (28 February 2013) <<http://consumeraction.org.au/wp-content/uploads/2013/03/Consumer-Action-Law-Centre-Submission-Independent-Review-of-Centrepay-February-2013.pdf>>, 7.

³ ASIC, *Media release—ASIC action sees indigenous consumers released from contracts*, 24 October 2013, <http://www.asic.gov.au/asic/asic.nsf/byheadline/13-288MR+ASIC+action+sees+Indigenous+consumers+released+from+contracts?openDocument>.

Please contact us on 03 9670 5088 or at info@consumeraction.org.au if you have any questions about this submission.

Yours sincerely

CONSUMER ACTION LAW CENTRE

A handwritten signature in black ink that reads "Gerard Brody". The signature is written in a cursive style with a large, prominent 'G'.

Gerard Brody
Chief Executive Officer

A handwritten signature in black ink that reads "Nicholas Williams". The signature is written in a cursive style with a large, prominent 'N'.

Nicholas Williams
Practical Legal Training placement student