

Centrepay – Outcome of Commonwealth Ombudsman investigation

The Complaint

In July 2019, Consumer Action submitted a complaint to the Commonwealth Ombudsman about Services Australia (formerly the Department of Human Services) failing to respond appropriately to our complaints about consumer lease companies mis- using Centrepay .

Centrepay is a priority payment system which allows approved businesses to deduct fees directly from Centrelink recipients' payments before recipients have access to those payments for essentials including food and bills. Our complaint to the Ombudsman on behalf of 11 clients concerned the handling of complaints made to Services Australia from 2017 to 2019.

The complaints alleged systemic misconduct by consumer lease providers and breaches by them of Services Australia's Centrepay Policy.

We were concerned that Services Australia did not respond appropriately and continued to maintain the providers' approval to priority access Centrelink recipients' payments via Centrepay.

The Conduct

Services Australia's Centrepay Policy is publicly available and imposes a range of expectations and requirements for businesses approved businesses to use the Centrepay system. Consumer Action's complaint to the Ombudsman alleged that consumer lease providers had breached the Policy by:

- leasing high cost but low value goods; (such as by charging users many times the recommended retail price of the good)
- leasing products that are non-essential goods (such as bird cages)
- leasing products in such a way as to expose already vulnerable people to an unacceptable risk of financial stress or exploitation
- failing to operate in a lawful manner (such as offering unsuitable loans to consumers);
- adversely affecting the reputation of DHS; and
- failing to act ethically, lawfully and fairly in its dealings with customers (such as using unfair sales tactics and contract terms).

The Outcome

The Ombudsman found that Services Australia is responsible for investigating matters that are relevant to the Centrepay Policy. Accordingly, our complaints did raise matters that Services Australia should properly have investigated and responded to.

As a result of the Ombudsman's investigation, Services Australia will be reviewing and clarifying its Policy in relation to consumer leases. Once this review is finalised, the information will be made publicly available on Services Australia's website.

The Ombudsman will also provide feedback and suggestions to Services Australia about how to improve its complaint handling process and operational guidance, and will monitor Services Australia's response.

Our view and next steps

We are pleased to see the Ombudsman expressing some concern about Services Australia's poor response to complaints about consumer lease providers that we believe are breaching its Centrepay Policy.

We are encouraged by Services Australia's commitment to review and clarify the Centrepay Policy, and also by the Ombudsman's commitment to monitoring this process. We expect the Ombudsman's ongoing involvement will result in Services Australia improving its handling of complaints and holding approved businesses to account.

It remains our view, however, that a change in Government policy remains the most appropriate solution to this issue. Consumer lease providers should not be able to access priority payment for their goods through Centrepay. This industry has consistently harmed vulnerable Australians, with consumer leases for high cost low value goods causing and exacerbating financial hardship where paying through Centrepay prioritises these (often exorbitant) payments over basic living expenses.

Last month, the Senate Economics Legislation Committee confirmed that it supported banning consumer lease providers from accessing Centrepay in its [Report](#) on the *National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2019 (No. 2)*. Consumer Action strongly encourages the Minister for Government Services to act, and ban consumer lease providers from using Centrepay as soon as possible.