

10 July 2024

The Department of Social Services
Services Australia
Centrepay Reform

Online via: DSS Engage Platform: <https://engage.dss.gov.au/centrepay-reform/>

Dear Services Australia

Re: Centrepay Reform

Thank you for the opportunity to respond to the Services Australia Centrepay Reform Discussion Paper (**Discussion Paper**).

The comments contained in this submission reflect the feedback of the Energy and Water Ombudsman Queensland (**EWOQ**), Energy & Water Ombudsman South Australia (**EWOSA**), Energy and Water Ombudsman Victoria (**EWOV**) and Energy & Water Ombudsman New South Wales (**EWON**). We are the industry-based external dispute resolution schemes for the energy and water industries in our respective states.

We have collectively reviewed and provided feedback to the Discussion Paper. Our feedback is targeted to the questions and/or themes in the Discussion Paper where we have direct insights. These insights derive from either consumers raising issues with us when making complaints or business practices we have observed through our assessment of complaints and/or investigations.

If you require any further information regarding this letter, please contact Mr Jeremy Inglis, Manager Policy and Research (EWOQ) on 07 3212 0630, Mr Antony Clarke, Policy and Governance Lead (EWOSA) on 08 8216 1861, Mr Connor Kelly-Dalgety, Industry Insights and Engagement Manager (EWOV) on 03 8672 4240 or Dr Rory Campbell, Manager Policy & Systemic Issues (EWON) on 02 8218 5266.

Yours sincerely

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Submission structure

Our submission is targeted at five sections of the Discussion Paper.

1. Approved Goods and Services.
2. Deduction Arrangements.
3. Customer Experience (Access to Centrepay and Complaints).
4. Compliance.
5. Overpayments.

In each section, we identify relevant insights and make recommendations and/or identify potential areas of improvement.

Approved Goods and Services

We note that private and State and Territory government utilities are currently an approved category for Centrepay deductions. This means that consumers can use Centrepay to make regular payments for both their energy and water accounts.

We support private and State and Territory government utilities remaining an approved category for Centrepay deductions. When used appropriately, we consider Centrepay can be an effective tool to assist consumers to:

- budget for their energy and water bills by making proportional and regular payments;
- manage and reduce debt associated with energy and water accounts; and
- reduce the likelihood of their electricity and/or water supply being disconnected.

However, as detailed below, we consider further consumer protections are appropriate for Centrepay to operate more fairly and effectively.

Centrepay deduction arrangements

It is critical that Centrepay deduction arrangements are established in a fair and reasonable way that advance the interests of consumers. Based on our case insights and investigations, we have identified issues in how Centrepay deduction arrangements are currently being utilised. These issues primarily relate to circumstances in which energy or water businesses are establishing Centrepay deduction arrangements on behalf of consumers. However, as our focus is in resolving the dispute, it can be difficult to identify the root cause of the complaint, whether it is at the retailer, the customer, or the Centrepay end. The most common and impactful issues we have identified are detailed below.

- **Changing Centrepay deduction amounts without consumer consultation and/or consent –**
We have identified multiple instances where consumers have reported that energy or water businesses have changed Centrepay deduction amounts without consulting with or receiving consent from the relevant consumers. In response to one investigation, an energy business advised us that it had historically engaged in conduct where before establishing a payment plan with a consumer (where payment plan amounts were deducted through Centrepay), it obtained their consent for a periodic review of payment plan amounts. It would inform the consumer that the review may result in changing payment plan amounts. When this occurred, it would send an SMS and a letter to the consumer telling them that their payment plan amount was changing. It did not seek their consent and did not discuss the new amounts with the consumer before enacting changes.

- **Difficulties establishing Centrepay deduction arrangements** – We have identified multiple instances where consumers have reported experiencing difficulties when energy or water businesses tried to establish Centrepay deduction arrangements on their behalf. These include instances where consumers thought the energy or water business had established relevant arrangements when in fact they had not. Our assessment of relevant complaints indicates that in some instances this:
 - was caused by energy or water businesses failing to correctly set up Centrepay deduction arrangements; and/or
 - contributed to consumers unknowingly accruing debt because Centrepay deductions were not occurring.
- **Centrepay deduction arrangements expiring or stopping without consumer knowledge** – We have identified multiple instances where consumers have reported not realising that their Centrepay deduction arrangement had expired or stopped. Our assessment of relevant complaints indicates that in some instances this:
 - was caused by energy or water businesses failing to inform consumers that their Centrepay deduction arrangements had stopped or expired; and/or
 - contributed to consumers unknowingly accruing debt because Centrepay deductions were not occurring.
- **Centrepay deduction arrangements continuing for closed accounts** – We identified an instance where a consumer reported that an energy business had continued to make Centrepay deductions from their Centrelink account after they had transferred to another energy business. We note that this practice is consistent with allegations made by the Australian Energy Regulator (AER) in recent proceedings in the Federal Court. The AER alleges that an energy business continued to receive Centrelink payments from consumers after those consumers stopped receiving services from that energy business.

Reflecting these identified issues, we consider there are potential areas for improvements in how businesses carry out Centrepay deductions on behalf of consumers. Potential improvements could be to:

- Enhance the nature and quality of consent that needs to be provided to Services Australia prior to businesses establishing Centrepay deduction arrangements on behalf of consumers or making changes to those arrangements. For example, Services Australia could require businesses to provide evidence to Services Australia that consumers have provided consent or seek consent directly from consumers prior to approving any new or changes to Centrepay deduction arrangements. In addition, the nature of the consent that consumers need to provide could be strengthened. For example, Services Australia could require that consumers provide explicit and informed consent rather than just consent.
- Expand the circumstances where consumers need to provide consent prior to businesses making changes to deduction arrangements. For example, Services Australia could require consumers to provide consent prior to businesses making any changes to Centrepay deduction arrangements including increasing, decreasing, pausing or ceasing relevant arrangements.¹

¹ Currently, our understanding is that consent only needed to be provided when a business is increasing Centrepay deduction amounts. Even in these circumstances, in accordance with clause 11.11 of the *Centrepay Policy and Terms*, Services Australia can waive this requirement in special circumstances.

- Improve consumer awareness of the operation of Centrepay deduction arrangements that businesses have established. For example, Services Australia could directly communicate with impacted consumers to provide relevant information such as:
 - confirmation that arrangements have been successfully established;
 - a summary of amounts that have been deducted over a particular period; and or
 - details of when arrangements have changed or ceased.

In addition, additional obligations could be imposed on businesses. For example, Services Australia could require businesses to provide notice to consumers when their Centrepay arrangements are close to expiring.

Customer Experience (Access to Centrepay and Complaints)

Access to Centrepay

We have identified instances where consumers have reported experiencing issues accessing Centrepay and/or establishing Centrepay deduction arrangements. These include instances where:

- a consumer thought they had established Centrepay deduction arrangements when in fact they had not; and
- a consumer thought they had cancelled Centrepay deduction arrangements when in fact they had not.

More broadly, based on our engagement with consumers and consumer representatives, we understand that for some consumers, navigating Centrepay can be a difficult and time-consuming process. These issues are particularly pronounced when consumers are experiencing vulnerabilities.

To help address and/or minimise the impact of identified issues, we encourage Services Australia to adopt a consumer-centric and empowerment approach that:

- Makes it as simple as possible for consumers to access Centrepay and manage their Centrepay deduction arrangements. For example, offering direct support to consumers who have difficulties accessing or understanding materials on the myGov platform and making interpreter services available.
- Involves sending targeted and tailored information to consumers. For example, confirmation that Centrepay deduction arrangements have been successfully established or cancelled and regular updates of deductions that have been made.
- Provides all relevant information to consumers in a simple and understandable format. This should involve making information available to consumers in different languages.

Complaints

The complaints we receive are about energy and water and not about Centrepay directly. The role of an Energy Ombudsman is primarily external dispute resolution. This means we are focused on achieving a fair outcome to the energy complaint before us and we will not generally investigate other issues, such as concerns about Centrepay. However, based on our case insights, consumer complaints involving Centrepay can be caused by consumers experiencing issues with an energy or water business. These complaints relate to a range of issues including problems with how energy and water businesses:

- set up Centrepay deduction arrangements on behalf of consumers;
- communicate changes to Centrepay deduction arrangements to consumers;
- authorise changes to Centrepay deduction amounts; and

- administer refunds when Centrepay deduction arrangement caused consumers to be in credit for their energy or water accounts.

Reflecting these circumstances, when a complaint relates to a consumer's experience with an energy or water business, we consider it is appropriate for Services Australia to inform consumers that if they cannot resolve their complaint with the energy or water business, they can seek assistance from the relevant Ombudsman. We consider this will assist more consumers to resolve their complaints in a fair and reasonable way. It may also help to help to increase consumer confidence and trust in dispute resolution processes related to Centrepay.

Compliance

When compliance issues are identified, it is imperative for consumers to receive appropriate redress. Reflecting this, when Services Australia identifies compliance issues with a business, we consider it should alert impacted consumers so they can take appropriate action such as raising a complaint.

When the business is an energy or water business, we consider Services Australia should also inform consumers that if the energy or water business does not resolve their complaint, they can seek assistance from the relevant Ombudsman.

Overpayments

When overpayments occur and the account has been closed, it is critical for consumers to receive refunds and any other relevant redress such as customer service gestures as soon as possible. Reflecting this, when an overpayment issue is identified, we consider Services Australia and the relevant businesses should promptly alert impacted consumers.

To facilitate refunds and other redress occurring in a fair and reasonable way, when overpayments relate to an energy or water business, we consider that Services Australia and the energy or water businesses should inform consumers that if consumers are experiencing issues in how refunds and/or redress are being administered, the consumers can seek assistance from the relevant Ombudsman.