



Centrelink

Linking Australian Government services

# Code of **Operation**

Centrelink Direct Credit Payments

# Code of Operation

## Centrelink Direct Credit Payments

---

This Code, which was first developed as the Department of Social Security Code of Operation, supersedes all previous versions of the Code.

The *Commonwealth Services Delivery Agency Act 1997* came into effect on 1 July 1997. It established 'Centrelink' as the operating name of the Commonwealth Services Delivery Agency. Centrelink's primary role is to deliver services and programs for policy departments, such as the former Department of Social Security (now known as the Department of Family and Community Services), under contractual arrangements.

Centrelink customers receive their payments mainly by direct credit. They can also get access to money from nominated automatic teller machines or by cashing their Centrelink cheques with their preferred financial institution. To effect this latter option Centrelink customers must produce a Letter of Introduction (Form SF104) from their local Centrelink Customer Service Centre.

A concern with direct crediting identified by consumer groups is that some customers who have overdrawn their accounts may be disadvantaged relative to customers who are paid by cheque since payments made by direct credit would automatically be offset against the overdrawn account, whereas customers paid by cheque can choose whether or not to deposit a cheque into their accounts. Customers might also not always be responsible for accounts being overdrawn (e.g. administrative error).

The Code is an agreement between Centrelink and representative bodies of financial institutions on recovery procedures and arrangements to apply when Centrelink customers' accounts are overdrawn.

These procedures provide for:

- (a) consultation with the customer on the debt and levels of repayment;

- (b) an assurance to Centrelink customers that, usually, they will be able to draw on at least 90 per cent of their payments in any fortnightly period even though their account may be overdrawn. An exception to this procedure applies where a customer deliberately or dishonestly overdraws on an account. The procedure is outlined in more detail in the principal document under the heading of Scope;
- (c) provision for review of recovery of a debt by an institution at the request of the customer; and
- (d) the appointment of liaison officers within Centrelink to deal with any customer difficulties.

Centrelink has no restriction on the type of account to which a Centrelink payment can be made.

All parties to the Code recognise the subsistence nature of Centrelink payments and the need for social security recipients to have access to a reasonable amount of money to live on. Institutions have agreed that they will take this into account when considering the actual amount they should recover each fortnight (the Code only specifies a minimum amount customers can retain, not a standard amount).

The basic protections in the Code do not imply the advocacy by any Party of any particular level of recovery or endorsement of recovery of overdrawn moneys without the consent of Centrelink customers. Nor does it add to the legal powers of financial institutions in any way.

The Code does not override the EFT (electronic funds transfer) Code of Conduct.

The Code is to be reviewed from time to time. All Parties to the Code will be consulted during the course of any review.

The arrangements which have been agreed will be publicised by the Centrelink. Institutions will ensure that their customers also are given information on the Code.

May 1999

# Code of Operation

## for Centrelink Direct Credit Payments

---

### 1. Introduction

This Code has been developed by the:

- Australian Bankers' Association (ABA) for member banks;
- Credit Union Services Corporation (Australia) Limited (CUSCAL) for member credit unions;
- Credit Union Settlement Services Limited (CUSS) for its direct entry clients;
- Australian Association of Permanent Building Societies (AAPBS) for member institutions; and
- Centrelink.

These organisations and their institutions agree to be bound by the Code.

### 2. Definitions

**Institution**—means any financial institution which is a member of the ABA or the CUSCAL or the AAPBS and, in respect to the CUSS, includes its direct entry clients.

**Appropriation**—means the debiting by an institution of a customer's account without the customer's specific agreement.

**Customer**—means a person receiving a social security pension, benefit or allowance.

**Agency**—means Centrelink, formally known as the Commonwealth Services Delivery Agency.

**Withholding**—means the debiting by an institution of a customer's account with the customer's specific agreement.

**Unauthorised debt**—a debt for which there has been no prior authorisation by an officer of the institution.

### 3. Scope

The Code identifies the principles and procedural arrangements for the administration of the direct crediting of payments under the *Social Security Act 1991* (as amended from time to time) into accounts held with financial institutions by customers.

The aim of the Code is to ensure that social security recipients have sufficient income to maintain adequate living standards.

This Code does not override or replace procedures established in legislation (such as bankruptcy legislation) or the Electronic Funds Transfer (EFT) Code of Conduct.

Subject to this paragraph, this Code does not extend to cover fraudulent, dishonest or otherwise unlawful transactions, conduct or activity by or on behalf of a customer as a result of which an unauthorised debt is incurred to the financial institution which is the recipient of that customer's social security payment. Nor does the Code extend to cover the situation where a financial institution makes a payment in advance at the request of a customer.

In relation to an unauthorised debt, where 60 days has elapsed since the day on which payment was due and payable, and the financial institution has sent a written notice to the last known address advising the customer of the overdue payment and requests payment of the amount outstanding and there is no response to that request, then the financial institution may report the matter to the Credit Reference Association of Australia (CRAA). This action will not occur, however, where recovery of the unauthorised debt is being effected in accordance with the procedure outlined in Item 9 below.

If this action is taken then this may affect the credit rating of the customer.

The financial institution may also take legal action against the customer to recover the outstanding amount.

## **4. Payment Types**

The payment types to which this Code applies are listed in the Payment Schedule that accompanies this Code.

## **5. Points of Contact**

Each participating institution is the first point of contact for customers with any problems in the operation of this Code.

The Agency will appoint as many direct credit liaison officers as are required. Institutions, welfare agencies and customers will be informed of the designation of each officer and how to contact him or her.

## **6. Crediting an Account**

To receive a payment from the Agency the customer should provide an account number so that the payment can be credited direct. A customer who is already receiving a payment in one account can request the Agency to arrange for it to be transferred to any other specified account. The Agency will seek to confirm account details from the customer before arranging direct credit payment. The Agency will make every effort to arrange for all such payments to be made to that account from the next pay-day but generally requires at least seven days notice to do so.

## **7. Customer Entitlement to Funds**

If an institution is contacted by a customer about a payment not being available because the institution has made a processing error, it should advise the customer accordingly and resolve the problem immediately. The customer is not to be referred to the Agency unnecessarily.

If customers' payments generally are likely to be affected as a result of processing problems or other circumstances within the institution, the institution should immediately advise the Agency's direct credit liaison officer.

If a customer's payment has not been credited for reasons other than a processing error by the institution, he or she should be referred to the Agency.

If an institution authorises an advance of all or part of a customer's payment in anticipation of a social security payment being made to a customer's account, it will have no claim on the Agency.

An institution is not responsible for the effects of late delivery of data by the Agency or its agents to the institution.

## **8. Charges on Customers' Accounts**

Institutions may impose charges against a customer's account only if they are consistent with normal financial institution practices, for example:

- government charges and taxes where applicable;
- charges and fees applicable to the type of account operated by the customer; and
- penalty and/or interest charges for debts accepted by the customer for which the customer is legally responsible.

No penalty, interest or other charges will be imposed on a customer's account(s) if discrepancies occur as a result of an error by an institution.

Charges imposed on a customer's account(s) will not exceed the normal rates of the institution concerned at the time the charges are imposed.

In all cases where a customer's credit rating has been affected by errors in crediting or in imposing charges, the responsible institution must ensure that the rating is returned immediately to its previous level.

## **9. Debit Accounts**

A major aim of the Social Security Act is to ensure that all payments made under it are available for the recipients use before other claims on the payment are considered.

Subject to the exception specified in this document under the heading 'Item 3—Scope', where an account of a recipient is credited with a payment under the *Social Security Act 1991* (as amended from time to time) and that recipient has an unauthorised debt to the institution for which he or she is legally responsible, the institution will allow social security recipients to withdraw an amount equivalent to a minimum of 90 per cent of that payment irrespective of the balance of the account at the time of withdrawal or of any other rights the institution might have in relation to that payment, unless the recipient agrees in writing to a lesser percentage. This will apply in respect of each social security payment until the unauthorised debt is repaid in full.

In all debt recovery situations, the percentage of social security payment that can be withdrawn will have regard to a case by case assessment of such factors as:

- the customer's needs, taking into account the subsistence nature of social security payments;
- any actions by the institution which may have contributed to the fact that the customer is not legally entitled to the full amount of the payment; and
- any other special circumstances.

An account may only be 'frozen' if reasonable efforts have first been taken to contact the customer and the customer has not since contacted the institution. A 'frozen' account must be reinstated as soon as the customer makes contact. Any supposed debt must then be discussed according to the procedures set out in this Code.

Arrangements between institutions and social security recipients will be recorded in a written form held by the financial institutions. The written record will also include details of any disagreement between the customer and the institution and the advice given to the customer on his or her rights and further avenues for resolution of the disagreement.

## 10. Inquiries and Disputes

In the event of uncertainty or a dispute arising about the handling of social security payments by the Agency or an institution, a customer should raise the matter directly with the Centrelink liaison officer and/or with the institution. The Agency's liaison officer



and the institution will cooperate in investigating these issues. Each institution will have its own dispute resolution process. Customers will be notified of these rights.

The institution's decision in relation to a dispute is to be made on the basis of all established relevant facts and not on the basis of inferences unsupported by evidence.

## **11. Dissemination and Publicity**

All the Agency's offices and branches, and offices of all institutions that are member organisations and that have dealings with the Agency's customers are to be made aware of this Code and its provisions.

The nature and existence of the Code should be publicised to customers. The Agency will make available a suitable pamphlet for distribution.

Copies of the Code will be available to customers on request through Centrelink offices.

## **12. Review of the Code**

This Code and all attached Schedules will remain in force until 30 June 2001 but may be modified or revised from time to time at the discretion of any party in consultation with all parties concerned (for example those listed at Item 1 of this Code).

# Payment Schedule

---

The payment types listed hereunder are covered by the 'Code of Operation for Centrelink Direct Credit Payments':

- Age Pension
- Disability Support Pension
- Wife Pension
- Widow 'B' Pension
- Widow Allowance
- Carer Payment
- Mature Age Allowance
- Mature Age Partner Allowance
- Sickness Allowance
- Special Benefit
- Newstart Allowance
- Youth Allowance
- Partner Allowance
- Parenting Payment
- Austudy Payment
- Abstudy

The following payments are also covered by the Code of Operation where the customer is also in receipt of one of the above payment types:

- Family Allowance
- Child Disability Allowance
- Double Orphan Pension

