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Committee Secretary
Senate Standing Committee on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

By email: community.affairs@aph.gov.au

17 October 2019

Dear Committee Secretary,

Inquiry into the Social Security (Administration) Amendment (Income Management to Cashless Debit Card Transition) Bill 2019

Thank you for the opportunity to comment.

FamilyCare is the main provider of child and family services in the Goulburn Valley region of Victoria. FamilyCare is also a registered NDIS provider, offers a variety of carer support services and undertakes regular community development activities. As resources allow and where it is important to our clients, FamilyCare makes comment on public policy issues.

FamilyCare's head office is located in the regional city of Shepparton. Shepparton was selected as one of ten place-based welfare reform trial sites in May 2011. While the detail and content of the trial programs has changed in the years since, Shepparton's status as a place-based reform trial site remains. Our community is the only Local Government Area in Victoria to host a trial of Income Management.

We have made a number of submissions to the Committee in relation to Income Management and the Cashless Debit Card (CDC) in recent years. This submission will summarise those views rather than restate them in full.

General concerns about Income Management

There are a range of concerns about the compulsory management of benefit incomes, that have been expressed since the policy commenced as part of the Northern Territory Emergency Response in 2007. Those concerns include:

- The cost of Income Management in total and per participant
- The lack of effective targeting
- Humiliation and stigma for compulsory participants and
- Limited evidence of improvements of the type identified as policy drivers.

We note these issues have been canvassed again in a number of responses to this Inquiry. They have never been adequately addressed in our view.

Concerns about the broader roll out of the CDC

The CDC differs from Income Management in a number of key respects. The operational differences have generated considerable discussion. Less attention has been paid to the variations in construction that set the CDC apart as a new category of financial service.

The CDC changes the relationship between the customer / account holder and the financial services provider, which has to date been Indue Ltd. The choice available is limited to using the cashless card or not accessing the quarantined benefits. The Terms and Conditions are prescribed by government and because of the Commonwealth's special position that enables it to avoid laws that apply to commercial providers, other consumer rights and legal protections are removed or reduced. For example, the Commonwealth reserves the right to access the transaction histories of all participants. In addition, participants who wish to request a reduction in the proportion of their benefit which is quarantined, must apply to a community panel. Both instances involve a significant reduction in the privacy rights available to every other Australian.

Some years ago I wrote a short article exploring whether the CDC heralded the creation of a banking underclass in Australia. A copy of the article is attached. At the time it was written only three CDC trial sites had been identified, in remote places and involving a small number of mandatory participants.

The Bill seeks to transition around 22,000 current Income Management participants in the Northern Territory and Cape York to the CDC. Government is advocating a national transition of all benefit recipients to the CDC. If the same parameters applied to the initial trials were adopted nationally, over two million Australian consumers would lose the right to select their basic transaction account.

A change of the type anticipated by national roll out and even the passing of this Bill may have a profound impact on the way the Australian financial services market operates for low to moderate income people. It also implies it is appropriate for government to intervene in normal consumer markets and to discriminate against people on the basis of their benefit status. These issues go to the heart of how we regulate safety and fairness across markets in Australia.

Yours sincerely,

David Tennant
Chief Executive Officer

Attachment:

Is the cashless welfare card the forerunner to a banking underclass?ⁱ

David Tennant – CEO, FamilyCare Shepparton

Amendments to the Social Security Act establishing the trial of a cashless welfare card in Ceduna have passed both Houses of Parliament. The trial will commence in 2016.

The Commonwealth has listened to some of the criticism associated with the surprise roll-out of Income Management to earlier trial sites by talking to potential target communities in advance. There is argument about whether the consultation was accessible to everyone but it would be hard to say the people of Ceduna did not know their community was being considered and at least in broad terms what the trial would involve.

It is also hard to argue with a number of Ceduna community leaders who have spoken about the importance of tackling alcohol fuelled violence and abuse. Whether the cashless welfare card will do anything meaningful to address these problems has generated significant disagreement. At great expense, the cumulative weight of evidence about the much larger trials of Income Management has so far not shown anything consistent.

For me, the key difference between the Ceduna trial and what has gone before is not the proportion of benefit incomes that will be managed or what the card will look like. It is the fact that the account will be offered by an Authorised Deposit Taking Institution, which for most of us makes more sense if you call it a bank...except it is not yet clear whether it will be a bank, or a credit union, building society or some other institution authorised to offer savings accounts.

Why is that a big deal? Because the Commonwealth will require trial participants to open a savings account with a provider selected by Government on Terms and Conditions mandated by Government. Those Terms and Conditions will include requirements for the account provider to give the Commonwealth certain information without the account holder's permission. Exactly what information and when is not clear because similar to the identity of the provider, the Terms and Conditions have not been released.

The significance of the change should not be underestimated. The requirement to hold a bank account into which benefit incomes can be paid is not new, or particularly problematic. Prescribing the type of account is another step again. It is a direct interference with the right to private contract, a step normally associated with people who require protection, or lack capacity because they are children or are in some way impaired.

The action would be easier to understand if the intervention was for the benefit of the account holder. But it is not. It may in fact expose them to increased costs and most certainly will involve greater inconvenience. Because the benefits paid into the prescribed account cannot be taken as cash, they may be subject to other rules, for example minimum purchase rules or merchant fees. Unlike the construction of the account itself, the Commonwealth's approach to these issues appears less direct, for example asking merchants who do charge fees to make sure the fees are fair.

There were a number of submissions raising similar issues to the Senate Inquiry that preceded the changes to the Social Security Act which facilitates the trial. They have not received much attention, given the potential impact of the trial on normal consumer rights. In contrast, a short submission from the Australian Bankers' Association did little more than express interest in the trial outcomes. The brevity was odd. You would think banks may have a view about Government telling customers which account they must have and on what terms.

The history of banking in Australia has not been driven by the milk of human kindness. For many years banks argued against the concept that they carried any broader social responsibilities, beyond making as much money as possible. That changed during the Martin Inquiry in the early 1990s. Since that time many Australian banks have become active in the corporate responsibility space, making important contributions to issues like building financial literacy, providing better access to banking services in seriously remote communities and establishing Microfinance programs to help low income people access credit for essential items on fair terms.

Nowhere have these contributions been more important than in the development of basic bank account products, to assist low income people access the banking system without having their modest incomes eroded by myriad fees and charges. Even with these positive developments, the reality remains that the most likely to be excluded from safe, fair access to financial services are low income people, particularly those receiving benefit incomes.

The Ceduna cashless welfare trial might be small but it establishes a dangerous precedent. The trial will require most people receiving benefits in Ceduna to take the account Government tells them, regardless of whether doing so will cost more or create additional difficulties. Initial participants are likely to total less than 1000 but we should hope they are not the first casualties in the creation of a new banking underclass.

ⁱ Published as an Opinion Piece by Pro Bono Australia on 29 October 2015, available at <http://www.probonoaustralia.com.au/news/2015/10/cashless-welfare-card-forerunner-banking-underclass>