

Report of Survey of Centrelink Direct Debit Scheme



December 1999

Introduction

In 1998 Shelter WA undertook a survey of caseworkers to gain feedback on issues regarding the introduction of the direct debit scheme. The following Report is a summary of the results of a second survey conducted in September 1999 in relation to a number of specific issues of the Direct Debit Scheme.

The Direct Debit Scheme is a scheme that provides Homeswest tenants with the option of having rent and other housing related payments automatically debited from their income. Payments can include water bills, vacated debts and tenant liability debts. In 1996 the scope of the Direct Debit Scheme was widened to include tenants receiving Centrelink income support. As a result of this, the number of Homeswest tenants participating in the Scheme has increased significantly in the last few years. The Scheme is voluntary however it is increasingly used as part of Homeswest tenancy agreements.

The current survey was designed in response to specific concerns raised by tenant advocate workers and other organisations representing public housing consumers.

The survey focused on three key issues identified by workers. These were:

- information and communication
- direct debit rates and changes
- direct debit deduction errors.

The aim of the survey was to firstly establish how widespread the issues were among public housing tenants and to then develop appropriate responses. This Report provides a summary of the results of the survey, discusses the findings of the survey and makes observations about the findings.

The survey was sent to organisations and individuals on Shelter WA's database list. Twenty eight organisations responded to the survey. Of these, eighteen respondents were located in metropolitan Perth and ten in regional Western Australia. The number of respondents is reasonable given the range of organisations that responded and the historically low response rate to self complete surveys.

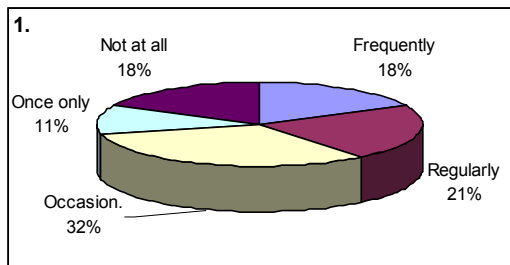
The results of the survey will inform Shelter WA's policy work. A copy of the Report will be forwarded to all survey respondents, the Ministry of Housing and the Housing Advisory Committee. It will also be forwarded to the Direct Debit Scheme Committee for their information and action.

Summary of Survey Results

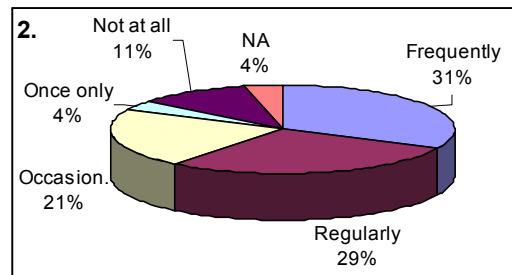
The following is a summary of the survey results. Respondents were asked to indicate how frequently they encountered the following issues in their work with tenants in the past six months. Standard response options were provided to ensure consistent and comparable feedback from respondents. These were frequently (10+ times), regularly (5 – 10 times), occasionally (2-5 times), once only and not at all. Where respondents did not answer a question it has been shown as NA.

Information and Communication

Tenants do not fully understand the direct debit forms when signing up

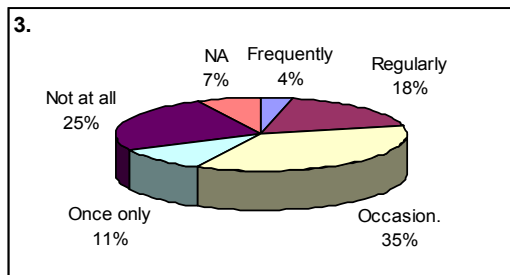


Tenants do not fully understand the clause which authorises Homeswest to change the debit amount.

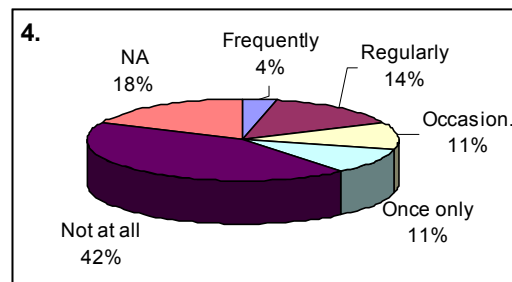


Direct Debit Rates & Charges

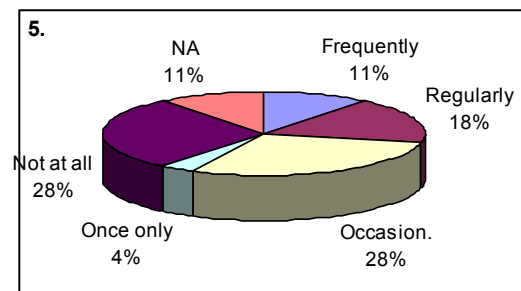
Tenants are notified after a change has been made to the amount deducted by direct debit



Tenants are having more than 30% of their income direct debited without their authorisation

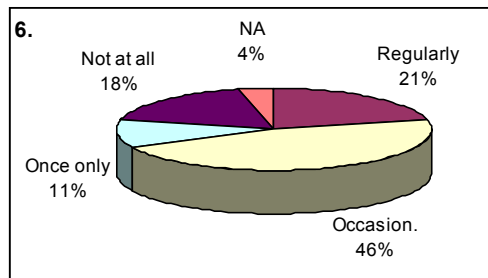


Tenants paying more than rent by direct debit cannot nominate what the extra payment goes towards (eg. for a water bill instead of vacated debt).

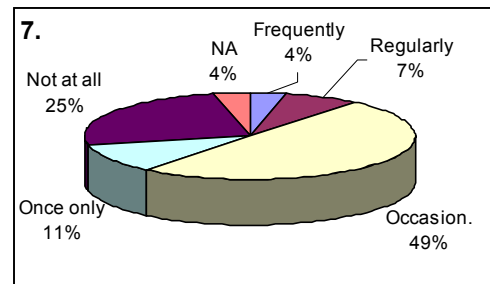


Direct Debit Deduction Errors

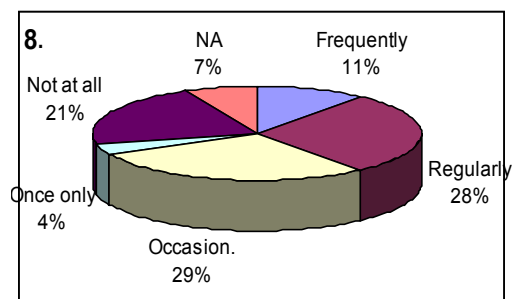
Tenants have been overcharged through direct debit.



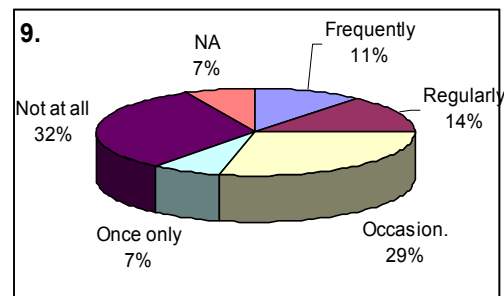
Tenants have experienced delays in being reimbursed for an over-payment error



Tenant payments have been stopped or suspended without their knowledge



Tenants have received a breach of tenancy notice as a result of a direct debit error



COMMENTS

Respondents were asked to provide any comments in relation to specific issues of concern. The following is a summary of comments.

Delay in Payments

- We have a problem with the delay of DSSDD payments starting following sign up. It usually takes 3 – 4 weeks and neither Homeswest nor Centrelink will take responsibility for the delay.
- The time delay between signing up and commencement of deduction. Lack of communication to client from Centrelink and Homeswest as to what is going on.

Changes to Payment Amount

- Have seen cases where the amount of direct debit is increased to an amount so high (to catch up on vacated debt) that person does not have enough to live on resulting in them falling behind in other debts and a ridiculous debt cycle.

- Ability to vary direct debit amount is being abused by Homeswest.
- There has been two occasions with Homeswest where the amount has been increased without the authority/knowledge and the amount was in excess of 30% and Homeswest Accommodation manager denied the transaction and in writing blamed Centrelink. There was no apology to the client and they (Homeswest) didn't seem to reprimand the person involved.
- Problems with Centrelink changing payments and stopping Direct Debit and tenant is not aware of this and thinks they have extra money and just spend. It takes a number of weeks before payment restarts and tenant often then in arrears.

Information

- A large number of clients have no idea what is going on with Direct Debit and also become confused between Homeswest and Centrelink. They have a Centrelink loan and Direct Debit and are unsure who is taking what. Often problems are not picked up until we are looking at their income in regard to a non-Homeswest matter.
- Tenants at times CAN NOT understand WHY they can't be reimbursed in cash rather than amount held over to future rent due dates as credit.
- Computer error – eg. Centrelink computer fails to accept information loaded by Homeswest computer

Financial Management & Advocacy

- The Youth Accommodation Manager has never used this clause (which authorises Homeswest to change the debit amount) – always seeks permission from the tenants and most of the time gets tenant to fill out new DSS form.
- Only that like banking, Direct Debit is a mixed blessing, where clients still don't have total management responsibility for their money. It's great for some women who are bullied out of their own money by partners or kids.
- I've only commented on issues I've come across. I think because we advocate for our consumers some of these issues prevent it from happening.

Benefits of Direct Debit

- The concept is good - the practice needs work.
- Our tenants on Centrelink are very happy and feel a burden lifted off their shoulders they recommend it highly.
- Most clients are happy with the direct debit system.
- Overall it works well and is suitable for most clients (indeed often vital to prevent eviction). Our local Homeswest office are reasonable and flexible – if clients go on Direct Debit they'll be more lax in further proceeding with threats or definite eviction. They just need to communicate better (from head office their standard form letters are very blunt and quick to threaten legal action) and inform of changes earlier.

Discussion of Findings

The following discussion draws on the results of the survey and comments from the respondents.

Information and Communication

- Thirty nine percent of respondents reported that on a frequent and regular basis tenants did not fully understand the Direct Debit forms when signing up. It is critical that tenants fully understand the implications of agreeing to the Direct Debit Scheme in managing their finances and tenancy. It is in the interests of the tenant, Homeswest and Centrelink that this occurs. In addition, the comments suggest that there is a lack of understanding among tenants as to which government department is responsible for administering the Direct Debit Scheme. Clear and accessible information is critical for tenants taking part in the Direct Debit Scheme.
- The majority of respondents (60%) indicated that tenants on a frequent and regular basis do not fully understand the specific clause which authorises Homeswest to change the debit amount. The clause states that “I/we understand that if my/our rent, home loan repayment or other amounts change, the Housing Authority will tell Social Security and the new amount will be taken out of my/our Social Security payment from the next available payday.”

This clause is one of four that tenants agree to, however, it is the only one which authorises the State Housing Authority to make changes to the original signed agreement. Again, there is a need for clear and accessible information that specifically highlights this clause so that tenants are fully aware of its meaning and implications.

Direct Debit Rates and Charges

- Twenty two percent of respondents reported that tenants on a frequent (4%) and regular (18%) basis were notified after a change had been made to the amount deducted by direct debit. A further 35% of respondents reported that this occurred occasionally and one quarter of respondents reported ‘not at all’. For tenants on low incomes the impact of unplanned increases to household budget items, such as rent and other housing related costs, can be significant. When

tenants are not adequately and appropriately informed of changes to Direct Debit Scheme payments this can put their tenancy at risk.

- More than forty percent (42%) of respondents were not aware of cases where tenants are having more than 30% of their income direct debited without their authorisation. However 14% of respondents reported that this occurred on a regular basis. The impact on households where more than 30% of household income is spent on housing costs including rent is considerable.
- The Direct Debit Scheme enables tenants to automatically pay rent and other housing related costs, such as water bills, rent arrears and vacated debt. There is an issue regarding tenants being able to nominate which bill or debt their payments (over and above rent) are allocated to. Twenty eight percent of respondents reported that tenants on an occasional basis are not able to nominate what the payment goes towards. This can have the result of putting an existing tenancy at risk.

Direct Debit Deduction Errors

- Forty six percent of respondents reported that on an occasional basis tenants have been overcharged through direct debit. A further 21% report that this has occurred on a regular basis. For tenants on low incomes the overcharging of rent can have a significant impact of weekly household budgets. This is compounded by the delay in tenants being reimbursed, or in some cases not being reimbursed and the amount being allocated to future rent or an existing debt. Forty nine percent of respondents reported that tenants experienced delays in being reimbursed for over payment on an occasional basis, with 11% of respondents reporting this happening on a frequent and regular basis.
- Respondents reported that on a frequent (11%), regular (28%) and occasional (29%) basis tenants Direct Debit payments have been stopped or suspended without their knowledge. This has immediate implications for tenants who assume that the payment has been made.
- Respondents reported that tenants have received a breach of tenancy notice as a result of a direct debit error. This has occurred on a regular (14%) and

occasional (29%) basis. Nearly one third of respondents reported that this has not occurred in the past six months.

Concluding Remarks

The Direct Debit Scheme provides Homeswest tenants with the option of having rent and other housing related payments automatically debited from their Centrelink income. Since its introduction, the Scheme has provided tenants with an accessible and alternative payment method, and assisted many tenants in the management of their tenancies. However, there continue to be issues of concern from a tenant perspective regarding the administration of the Scheme.

The results of the Survey have highlighted a range of issues including:

- *information and communication* - the need for clear and accessible information for tenants regarding the Direct Debit Scheme including the role of Homeswest and Centrelink in administering the Scheme
- *direct debit rates and charges* - many tenants are not aware of the implications of clause 2 of the direct debit form and changes are being made to the amount debited (based on clause 2) without tenants being adequately informed
- *direct debit deduction errors* – processing errors continue to impact on tenants with tenants being overcharged and payments being stopped and suspended without the tenants knowledge.

In response to the issues identified the following strategies are proposed:

- that clear and accessible information be provided to Homeswest tenants including the role of Homeswest and Centrelink in administering the Scheme
- that Clause 2 of the Scheme (dealing with changes to the deduction amount) be clearly identified as a separate clause on the Agreement Form and that tenants are made fully aware of the implications of the clause
- that mechanisms for informing tenants of changes to the Scheme, including the suspension of payments, be examined to identify potential causes for delays (in tenants being advised of changes) and the procedures be improved accordingly
- that Homeswest policy that no more than 30% of tenants' income be debited for rent and other housing related costs be strictly adhered to in the administration of the Scheme
- that the procedures for reimbursing tenants following a debit error be reviewed to ensure that tenants are promptly reimbursed.

The Direct Debit Scheme is a positive scheme for many tenants in that it offers a choice of payment methods. It is, however, critical that the Scheme does not impact adversely on tenants and their access to secure and affordable housing. The Direct Debit Scheme needs to be effectively administered to ensure that it appropriately meets the needs of public housing tenants.

Respondents

- Anglicare
- Anglicare Financial Counselling Service
- Anglicare SHAP
- Ave Maria House
- Boogullary
- Bunbury Housing Association
- City of Stirling Financial Counselling Service
- Community Legal and Advocacy Centre
- Esperance Districts Agcare Inc.
- Fremantle Community Youth Service
- Local Area Coordinator, Disability Services Commission
- Metropolitan Association Tenants Groups
- Ngaringga Ngurra Aboriginal Corporation
- Perth City Mission Family Services
- Pilbara Community Legal Service
- Queens Park Residents Association
- Salvation Army Morley Financial Counselling Service
- Scales Community Legal Centre
- Southcare Inc
- St Bartholomews Home
- Tenants Advice Service
- Yes Housing (South)
- Yes Housing (North)
- Welfare Rights and Advocacy Service
- Wyndham Family Support Inc.
- Zonta House Refuge