

The Budget and The Banks – Low Income Consumers Hurt by increased default fees

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The Consumers' Federation of Australia* today called on the Government to look closely at how the new compliance framework for welfare recipients might have unintended and costly impacts on recipients who use direct debit arrangements.

Many consumers use direct debit arrangements to ensure that their regular payments and bills are not overlooked. These arrangements can be particularly useful for people on low incomes, including those receiving social security payments.

Under the new compliance arrangement, payments can be suspended immediately, and without notice.

“The Department says that job-seekers will generally lose little or no payment if they re-engage immediately with the system”, said Carolyn Bond, Chairperson of the CFA. “But in the meantime, those who have set up direct debit arrangements may face a hefty fee from their bank because there are no funds to meet the direct debit.”

On average, banks charge a hefty \$45 if a direct debit is dishonoured.

“If a job-seeker has two direct debit arrangements, they will effectively lose almost half their weekly income. And maybe even more if they are charged non-payment fees on top of the dishonour fees,” said Ms Bond.

Centrelink payments will be restored in full if the job-seeker has a good reason for non-compliance. “But is the Government going to refund the dishonour fees unfairly incurred?”, asked Ms Bond.

CFA is pleased to see that the Government has finally reformed its unfair breaching system.

“Unfortunately, the new system, with its lack of notification, risks imposing high fees on some of the most disadvantaged people in our community” said Ms Bond. “It needs to be reconsidered. Otherwise, it may become just too risky for social security recipients to use a convenient mechanism like direct debits.”

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*The Consumers' Federation of Australia is the peak body for consumer groups in Australia. It has 98 members. See www.consumersfederation.com