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Committee Secretary
Senate Standing Committees on Community Affairs
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senators

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

Consumer Action Law Centre (**Consumer Action**) welcomes the opportunity to provide a submission to the Senate Community Affairs Legislation Committee (the **Committee**) on the Social Security (Administration) Amendment (Income Management to Cashless Debit Card Transition) Bill 2019 (the **Bill**).

Consumer Action seeks to enhance the rights of consumers and promote a marketplace where business plays fair. The Cashless Debit Card (CDC) undermines the role of the market in serving consumer and community interests, and instead places punitive measures on those that are forced to use the card in order to access their income support payments. We are concerned that the CDC unfairly places limits on freedom of choice and creates a secondary economy where welfare recipients end up spending more for goods and services by limiting their options to pay. The evidence also shows that the trials have been problematic and have resulted in adverse outcomes for individuals.

Consumer Action strongly opposes the future expansion of the CDC and submits that the CDC be rolled back. Instead, investment should be redirected to evidence-based policies that effectively addresses harm caused by addiction and compulsive behaviours, and promote financial inclusion in the market.

About Consumer Action

Consumer Action is an independent, not-for profit consumer organisation with deep expertise in consumer and consumer credit laws, policy and direct knowledge of people's experience of modern markets. We work for a just marketplace, where people have power and business plays fair. We make life easier for people experiencing vulnerability and disadvantage in Australia, through financial counselling, legal advice, legal representation, policy work and campaigns. Based in Melbourne, our direct services assist Victorians and our advocacy supports a just marketplace for all Australians.

The CDC adds costs and creates financial problems

CDC adds costs by removing choices

Much of the Federal Government's effort to address cost of living pressures involves making it easy to switch and exercise choice, for example, through the new Consumer Data Right. The CDC undermines these reforms, limiting the ability for people to shop around and actively participate in the market and make savings. For example:

- Landlords have to be registered to receive funds from the CDC, meaning that informal accommodation (renting a room in someone's house) is not possible. This is often the most affordable housing, particularly for young people.

- The CDC restricts access cash to make purchases. People cannot purchase from market stalls, roadside stalls, buy/swap/sell Facebook groups and other second-hand items in the community. This means that they miss out on cheap or competitively priced purchases. It also limits grassroots economic activity by disabling people in the community to take initiative through the informal economy.

- Cardholders experience problems buying large items including white goods, furniture and vehicles. Due to limitations placed on the amounts a participant can spend using the CDC, people have to wait a period of time for large transactions to be approved. The delays can mean that this miss out on a purchase at a certain discounted price.

If cardholders are required to spend more on basics and are not able to shop around to find the best deal, they will have less funds to spend on other areas, for example, education and training, or supports for job participation, limiting their ability to get ahead.

CDC has administrative problems

The CDC has a variety of technical rules in addition to limiting access to cash which impacts cardholders' ability to manage their money. These are known as 'limitations placed on amounts that participants can spend using a CDC or transfer out of an account linked to the CDC'.[i] These create a range of problems including:

- Problems with "housing limits" associated such that rental payments above these limits aren't processed. Examples include where there are three rent payments in a month (which happens some months in the year), or when rental payments are increased.

- Problems with transferring rent after the date it is due. For example, if rent was due on 30 June, but the transfer was made on 3 July, the transaction may be declined, and the cardholder must wait a period before making the transaction, risking the tenancy.

Cardholders also report difficulties or delays when resolving complaints about administrative problems with the CDC. This is unsurprising given the provider of the card, Indue, is not subject to competitive pressure to respond effectively to customer complaints.

CDC limits choices about where to spend money

The CDC limits where people are able to spend their money, impacting family wellbeing and leisure. For example:

- Some leisure facilities—for example, local cinemas or bowling alleys—are inaccessible for cardholders because the facility also sells alcohol.

- Family carnivals are inaccessible because they do not accept card payments.

These restrictions constrain community connectedness.

The CDC also undermines peoples' own pre-existing systems of budgeting and managing their finances. For example, people complain of being unable to move funds to a designated savings account.

Banking underclass: removing choice

Income management has resulted in a two-tier system of banking in Australia.

While the majority of consumers are able to freely enter into contracts with their choice of financial service provider, those subject to welfare quarantining measures are restricted to a single provider: Indue.

This has been referred to as the development of a 'banking underclass', a 'direct interference with the right to a private contract'[ii].

Evaluations of CDC

The Federal Government's evaluation report of the CDC found that the majority of participants identified that the CDC made no positive change in their lives and that almost half of participants stated that the CDC had actually made their lives worse.[iii]

Academics and oversight bodies such as the Australian National Audit Office have also examined the evaluation report, and identified severe limitations, including:

- administrative data limitations, participant recall bias, participant response bias, issues with self-reporting, observation bias, and a range of methodological flaws;iv

- lack of appropriate baseline data with which to compare data gathered at both the mid-point and end of the evaluation period;v

- subsequent misreporting of the indicators of gambling and alcohol/drug consumption—the evaluation and the use of its findings by proponents of the CDC has implied that there has been a decrease in alcohol, drug use and gambling amongst CDC participants, even though most cardholders were not over-consumers of alcohol, drugs or gambling in the first place.vi

- the lack of rigorous data gathering or analysis on purported changes in domestic violence and crime rates—for example, police data indicating an increase in these factors in the East Kimberley since the introduction of the CDC is not included in the evaluation data sets.[vii]

Breaking the habit of addiction & compulsive behaviours

Research confirms that focusing on the underlying drivers of problematic behaviours, not surface symptoms, is what drives change.[viii] The reality is that cash will remain accessible despite the CDC (for example, through selling of goods purchased with the card).

Recommendations

RECOMMENDATION 1. Given the evidence that the trials are not delivering the intended outcomes and are in fact creating greater problems for people living on income support, we strongly recommend the government not proceed with the expansion of the CDC and instead start taking steps to roll back the program

RECOMMENDATION 2. Expand proven solutions such as greater investment in policies that effectively address harm caused by addiction and compulsive behaviours, and promote financial inclusion in the market.

Please contact **Gerard Brody** at **Consumer Action Law Centre** on 03 9670 5088 if you have any questions about this submission.

Yours Sincerely,
CONSUMER ACTION LAW CENTRE

Gerard Brody | Chief Executive Officer

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[i] Social Security (Administration) (Welfare Restricted Bank Account) Determination 2016
[ii] David Tenant, *Is the Cashless Welfare Card the forerunner to a Banking Underclass*, see: https://www.researchgate.net/publication/285590411_Is_the_Cashless_Welfare_Card_the_forerunner_to_a_Banking_Underclass
[iii] See: https://www.theguardian.com/australia-news/2017/sep/18/cashless-welfare-card-report-does-not-support-ministers-claimsresearcher-says
[iv] See: http://caepr.cass.anu.edu.au/sites/default/files/docs/CAEPR_Topical_Issues_1_2017_0.pdf
[v] Australian National Audit Office 2018, *The Implementation and Performance of the Cashless Debit Card Trial*, page 39.
[vi] In the ORIMA Interim report, 57% of participants reported that before the card, they did not have more than 6 drinks of alcohol at one time (page A33); 90% reported that they did not use illegal drugs (4% reported doing so), 80% reported that they did not gamble (3% more than once a week) (page A41). In the final ORIMA report released on 1/9/2017, it is claimed that 48% of people were doing one of the three behaviours (alcohol/ drug consumption or gambling) less. However, there no accounting for the people who were not doing the behaviours in the first place, who may have said yes to 'consuming less', to reflect not doing the behaviours at all (summary based on research by Dr Else Klein)
[vii] See: https://www.theguardian.com/australia-news/2018/jan/12/family-violence-rates-rise-in-kimberley-towns-with-cashless-welfare
[viii] See: http://brainpark.com/news/2019/gamble-drink-consume-repeat-why-we-need-brainpark