

Senate Committee: Education and Employment

QUESTION ON NOTICE Budget Estimates 2017 - 2018

Outcome: Skills and Training

Department of Education and Training Question No. SQ17-001040

Senator Ketter, Chris provided in writing

Financial Risks – VET loans

Question

Page 9-10 of Budget Paper 1 lists VET loans as one of the Government's major financial risks:

- a) How has this risk been quantified?
- b) How large is the risk currently estimated to be?
- c) When was this first identified as a risk? Does the Education Department or Treasury do that?
- d) Are there any examples of student loans have been remitted but the Commonwealth has not been able to recover the payments from providers? How many cases? What has the cost to the taxpayer been? What is it estimated to be?
- e) What is the policy going forward if a student should not have incurred a debt but the money can't be recovered from the provider? Will these students have their debt forgiven? Will this debt be written off by Treasury?

Answer

The Department of Education and Training is pursuing several strategies to both identify and recover inappropriately claimed VET FEE-HELP funds and will pursue all legal means to recover the funds from providers. As these actions are ongoing, it is not possible at this time to quantify the risk of non-recovery.

The risk of not being able to recover the payments due to provider insolvency was first identified by the department in the 2017–18 Budget Papers as an unquantifiable risk that could exceed the reporting threshold.

The department established a dedicated Complaints Handling Unit to negotiate directly with providers on behalf of students that allege they have incurred VET FEE-HELP debts inappropriately. From May 2016 to 18 May 2017, the Complaints Handling Unit has successfully negotiated a commitment from providers to remit over \$20.6 million in VET FEE-HELP debts. The Complaints Handling Unit handed over responsibility for complaints to the VET Ombudsman from 1 July 2017.

A decision on whether to remit a student's debt is not contingent upon the department being able to recover the amount from the provider.

Consideration of whether the debt is written off is not the responsibility of The Treasury.

There are a number of ways student debts can be remitted:

- The ACCC and the department are in Federal Court proceedings against four former VET FEE-HELP providers seeking to cancel the VET FEE-HELP debts of students who were subject to conduct in breach of the Australian Consumer Law (ACL).
 - In the first judgment on these proceedings, the Federal Court found on 30 June 2017 that Unique International College made false or misleading representations and engaged in a pattern of behaviour that amounted to unconscionable conduct in breach of the ACL. The ACCC and the department are seeking orders for penalties and other relief which will be listed for hearing on a date to be determined.
- From 1 January 2016, stronger protections were put into place for students accessing a VET FEE-HELP loan. These include provisions for the department to remit VET FEE-HELP debts if students incurred the debt as a result of 'unacceptable conduct' by a VET provider or its agent.
- Students with concerns about their VET FEE-HELP debts may raise a complaint directly with their provider through its formal complaints handling process. This includes requests for debts to be remitted or cancelled. A provider has the discretion to remit or cancel VET FEE-HELP debts depending on the nature of the complaint.
- Prior to 1 July 2017, the department's Complaints Handling Unit negotiated directly with providers on behalf of students that allege they have incurred VET FEE-HELP debts inappropriately. From 1 July 2017, responsibility for complaints transferred to the VET Ombudsman.

Remitting a student debt means that the student no longer has a debt to the Commonwealth.