THE VOICE of Pensioners and Superannuants

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Centrelink continues cosying up to rent-to-buy loan-sharks

CENTREPAY is a useful way to make sure that regular, essential things such as rent and utility bills get paid before anything else by setting them up as direct debits from social security payments.

Centrepay is run by Centrelink. It's free. It's voluntary, so you decide if you want to use Centrepay, unlike the compulsory Cashless Welfare Card.

Late last year, the federal Opposition put up draft legislation to ban rent-to-buy products from the Centrepay register of goods and services.

Rent-to-buy goods can be household appliances, computers and such. You rent these while you pay them off, paying up to nine times the retail price.

The question is: Should Centrelink really get involved with these (legal) loan-sharking operations through Centrepay?

The federal Opposition obviously doesn't think so, but the Government sees it differently. Senator Amanda Stoker in Parliament:

The Government doesn't support this Bill and, I would suggest, with good reason. …. we face the important value that is the right of individuals to choose what they do with their money and to do so without governments telling them what they are and aren't entitled to spend their money on. They are entitled to the opportunity to learn from participation and from experience how to, and whether they wish to, interact with all the different types of items for sale …"

Rent-to-buy operations can be assumed to warmly agree with the Government's sentiment, because Centrepay guarantees that social security recipients will pay instalments on the dot at the due date.

Rent-to-buy operations might not be so keen to trade with social security recipients if repayments weren't secured by way of Centrepay.

But Centrelink's cosy relationship with rent-to-buy operators doesn't end there.

Even though Centrepay is set up to allow individual choice, it does ban certain legal goods and services: gift cards, payment plans, alcohol, cigarettes, pornography, gambling and firearms. These are very much the same restrictions as are placed on the use of the Cashless Welfare Card.

Conversely, does this mean that people put on the Cashless Welfare card could use the Cashless Welfare Card for rent-to-buy products?

CPSA rang the Cashless Debit Card Hotline to find out, and the answer was: yep, not a problem.

Now, there's freedom of choice for you if you're on the Cashless Welfare Card: you can be robbed under Centrepay or under the Cashless Welfare Card!

Robbed? Yes, but don't take our word for it.

This is what an Australian Securities and Investments Commission report said in September 2015 about rent-to-buy schemes, five years before the current Government refused to take it off Centrepay:

ASIC has continuing concerns about the conduct of [rent-to-buy operators], despite multiple enforcement actions by ASIC [..]. Misconduct by [rent-to-buy operators] identified by ASIC has included targeting financially vulnerable consumers with limited access to alternative forms of finance (e.g. consumers in regional communities). We are concerned about the risk of this conduct continuing to occur, given high usage of leases by financially vulnerable consumers, such as those in receipt of Centrelink payments.

More women join self-managed super on less money

THEY are the most common type of superannuation fund and the number just keeps growing. In the last (December) quarter of 2020, more than 5,000 funds were created, bringing the total to 594,000.

Average membership of these funds is less than two, though. SMSFs, self-managed superannuation funds, are run by members for members with members' money.

But who are these members?

In the December quarter, more than 40 per cent of the new membership had an annual income of more than $100,000.

Just under 40 per cent made between $40,000 and $100,000 annually.

Twenty per cent made less than $40,000, of which just under half made less than $20,000 a year.

About a third of the new membership is aged between 35 and 44, fairly evenly distributed between men and women.

What is striking is that in income brackets up to $60,000, there are 60 per cent more women who join an SMSF than men.

This seems to suggest two things.

First, women who join SMSFs trail men in the income stakes by a wide margin. It confirms reports that generally women are being paid a lot less than men.

Second, it suggests that in spite of, or maybe because of, lower pay and lower super balances than enjoyed by men, women want to be in charge of their retirement future.

More than men.

Banks take one step forward and two steps back

ON 4 April 2021, The Australian Banking Association (ABA) said in a media release that Australian banks are launching updated guidelines on financial abuse focusing on reducing the impacts of family violence and elder abuse.

Although it should be celebrated that banks are taking these issues seriously, with more and more bank branches closing its hard to see how these guidelines will effectively support older people who are forced to bank in ways that they are not familiar with which further exposes them to financial risk.

The ABA says it has worked with banks and community advocates to provide specialised training to ensure bank staff can recognise signs of financial abuse.

ABA CEO Anna Bligh said in the same media release “Anyone experiencing financial abuse should talk to their bank. They are ready to help”.

However, you probably won’t be able to talk to someone from your bank in person as bank branches continue to close, rapidly.

Channel Nine News reported on 8 April 2021 that a shift to electronic banking during the COVID-19 pandemic has seen banks close hundreds of branches over the last 18 months.

The Financial Services Union (FSU) closely monitors bank branch closures in Australia. On the FSU website they say that 640 bank branches across Australia have closed since 2017, most occurring in regional Australia.

What’s the reason for closing branches? Banks suggest that their customers are flocking to online services and aren’t going into branches anymore. However, online or even phone banking services won’t be much use for people living in the country with poor internet services and bad phone lines.

Financial services can be complex and confusing, so it is good to see banks addressing the risk of financial abuse that affects so many older people.

However, have banks stopped to think that by phasing out passbooks, closing bank branches, and forcing people to change the way they have banked for decades might expose people to further financial abuse?

Banks can’t claim to be putting a stop to financial abuse but at the same time alter their services in a way that creates uncertainty and confusion which could result in financial abuse.