



Submission to the Independent Review of the Centrepay System

10 May 2013

**Tenants Union of Victoria
Council to Homeless Persons**

Summary and Recommendations

Centrepay is a vital service for people managing bill payments on low statutory incomes. However, TUV and CHP are concerned that this payment service is misused by unscrupulous operators of unregistered rooming houses, to exploit vulnerable tenants. We strongly recommend that measures be put in place to ensure that rooming house operators are required to demonstrate that their properties are registered with their local council, and provide a national police check in order to be registered as Centrepay merchants.

Background

The Tenants Union of Victoria (TUV) and Council to Homeless Persons (CHP) welcome the opportunity to make a submission to the Department of Human Services' independent review of the Centrepay system.

TUV was established in 1975 and works to enhance the rights and wellbeing of tenants through legal advice and policy advocacy. CHP was established in 1972 and is the peak Victorian body representing organisations and individuals with an interest in and commitment to ending homelessness.

Many of the organizations and individuals we represent receive Centrelink incomes and use the Centrepay system for a range of services.

While there are a number of ways that Centrepay could be made more effective, this submission is concerned with the use of Centrepay by individuals who reside in rooming houses (sometimes referred to as boarding houses).

Rooming houses provide single or shared room accommodation to individuals and families on low incomes. Those living in rooming houses fall into the statistical definition of “homeless” adopted by the Australian Bureau of Statistics. According to the ABS an individual is “considered homeless if their current living arrangement:

- is in a dwelling that is inadequate; or
- has no tenure, or if their initial tenure is short and not extendable; or
- does not allow them to have control of, and access to space for social relations”.¹

A dwelling is considered to be a rooming house under the *Residential Tenancies Act 1997* (Vic) if four or more persons are paying rent to a rooming house owner.² Rooming houses must be registered with local councils, whose officers then undertake inspections of the property to determine their compliance with building³ and public health legislation.⁴ A confidential register of those rooming houses which are officially registered with local councils is currently compiled by the Victorian Department of Human Services and contains 1,140 rooming houses across all local councils. However, this has not been updated since January 2012. A public, statewide register to be overseen by the Director of Consumer Affairs Victoria must be established by July 2014.⁵

Due to Melbourne’s highly unaffordable private rental market and the tight restrictions on access to social housing, the sector has grown in recent years as people on low incomes have been forced to reside in more insecure forms of accommodation. This problem is not isolated to Victoria, as all mainland capitals are experiencing similar housing market pressures.

The number of people residing in rooming houses in Victoria has been a matter of considerable debate. While the 2011 ABS Census puts the figure at 4,397,⁶ Professor Chris Chamberlain, from the Royal Melbourne Institute of Technology, argues that “the ABS method of counting boarding houses is fundamentally flawed”.⁷ On Chamberlain’s methodology (based on council records) the population in Victoria in 2011 was 12,568 (living in 1,451 rooming houses).⁸

While there are rooming house operators who register properties with local councils to ensure the appropriate safety inspections; maintain generally good standards in the properties; and conduct themselves well in their dealings with residents, there are also a large number of unscrupulous operators, often with previous criminal convictions who run poor quality rooming houses that put the welfare and safety of residents at risk. People residing in rooming houses have few other housing options, are often highly marginalized and thus vulnerable to exploitation.

¹ Australian Bureau of Statistics, “Homelessness Statistics”

<<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/4922.0Main%20Features22012?opendocument&tabname=Summary&prodno=4922.0&issue=2012&num=&view=>> (accessed 1 May 2013).

² *Residential Tenancies Act 1997* (Vic) s 3.

³ *Building Regulations 2006* (Vic).

⁴ *Public Health and Wellbeing Act 2008* (Vic) s 67.

⁵ *Residential Tenancies and Other Consumer Acts Amendment Act 2012* (Vic).

⁶ Australian Bureau of Statistics, “Census of Population and Housing: Estimating Homelessness” (12 November 2012).

⁷ Chris Chamberlain, “Counting Boarding Houses: Reflections on Homelessness Research in Australia” (Paper Presented to the Homelessness Research Conference, 19-20 April 2012), p. 21.

⁸ *Ibid*, p. 5.

There is now considerable evidence that many operators do not register properties with council; fail to uphold their obligations under the *Residential Tenancies Act 1997* (Vic); and pay no regard to the safety of the dwellings.

The business model of these operators typically is to enter into head leases, renting (for example) a five bedroom property for the standard market rate, converting it into a rooming house of 10 people, and often charging each individual resident between \$150-\$200 per week. Because Victorian law has no system of licensing of rooming house operators, a person is not required to pass a “fit and proper” test to be a provider of accommodation to large numbers of people. This means that individuals who, due to their history of criminal conviction or past poor conduct, would not meet a character test that is required for many other forms of business.⁹

TUV has represented clients whose rooming house operator is registered as a Centrepay merchant, despite managing unregistered and potentially unsafe rooming houses. Some operators of our clients have also traded under the name of a deregistered corporate entity. As the precise number of rooming houses/rooming house residents is uncertain, so too is the exact number of those who are registered with Centrepay.

A significant report by a Victorian Government’s Rooming House Taskforce concerning the practices and management of the rooming house sector was published in 2009. Recommendation 12 of that Report was that the:

12. State Government initiate action in collaboration with the Australian Tax Office, Centrelink and the Australian Securities Investments Commission to investigate the operations of unscrupulous rooming house operators, e.g misuse of resident Centrelink funds and failure to declare income.¹⁰

The full Report is appended as its findings and recommendations support the concerns raised in this submission.

Enhancing Accountability of Rooming House Operators

Under current arrangements, there is no accountability of operators for the money they receive from the Commonwealth; they are not required to be “fit and proper”; nor are they required to provide safe, decent or affordable accommodation to residents.¹¹ TUV and CHP believe that such accountability should be required at the point at which operators are registered as Centrepay merchants, and can be improved for tenants at the point of payment.

⁹ See, for example, Marika Dobbin, “Darebin’s Houses of Shame” (10 December 2012) <<http://www.theage.com.au/victoria/darebins-houses-of-shame-20121209-2b3ts.html>>; Hamish Heard, ‘Ex-Criminals in Luxury at North Melbourne Halfway House’ (18 January 2010). <<http://melbourne-leader.wherelive.com.au/news/story/ex-criminals-in-luxury-at-north-melbourne-halfway-house>>.

¹⁰ Rooming House Standards Taskforce, “Chairperson’s Report” (September 2009), p.48.

¹¹ Thanks to Professor Terry Burke for this point.

At the point of registration

TUV and CHP recommend the following practices be implemented at the point at which operators are first registered as Centrepay merchants:

1. At the point of registration, Centrepay should receive satisfactory evidence from merchants that they are operating a rooming house business and that all the properties they operate are appropriately registered with local council. Centrepay should then undertake a search of relevant state rooming house registers (where they exist) to determine whether the operator has registered the property with the local council. If the property is not registered, Centrepay should notify the local council so they can undertake the relevant safety checks. Deductions from Centrepay should be contingent on satisfactory evidence of registration with council. Where Centrepay records already reveal that a merchant is operating a rooming house business, continued registration and receipt of deductions should be contingent on satisfactory evidence of registration with council.
2. Centrepay should receive satisfactory information from merchants regarding the company under which their rooming house business is conducted. Centrepay should then undertake a search of the business registers of the Australian Securities and Investments Commission to determine the registration status of companies. Centrepay deductions should be contingent on satisfactory evidence of company registration.
3. Centrepay staff should receive satisfactory information from merchants regarding their criminal record. The merchants should be required to supply national police checks.
4. Centrepay should make continued registration contingent on an operator remedying wrongful overpayments. This is a typical problem when a rooming house resident vacates a property but an operator continues to receive rent via a Centrepay deduction due to the time lapse between when a client cancels their deductions with Centrepay and the cancellation takes effect in the system. TUV recently represented a client who faced this very situation. Due to the past poor conduct of the operator, there is unlikely to be any willingness on the operator's part to negotiate to allow the resident to recoup the amount, even though the operator received it wrongfully given that the resident was not in occupation.

At the point of payment

While merchant registration is an important first step in ensuring that rooming house providers comply with the relevant housing and other standards, it is possible that providers registered for Centrepay for one property may have many other properties that are not registered with their council and are unfit for habitation. It is necessary to require an additional process whereby individual applications are reviewed.

TUV and CHP recommend the following practices be implemented at the point at which individuals apply for a Centrepay deduction to be made:

1. Centrepay should ask individual payment recipients (on a form or otherwise) whether they are residing in a rooming house. Alternatively, Centrepay should develop a red flag system where a Centrelink recipient is known to be residing with multiple other people.
2. If it is suspected that a recipient is living in a rooming house, Centrepay should then undertake a check of the relevant state rooming house registers (where they exist) to determine whether the operator has registered the property with the local council. If the property is not registered, Centrepay should notify the local council.
3. When Centrepay has information that a Centrelink recipient is residing in a rooming house, they could cross-check the records to see whether the merchant to whom the resident is having their rent deducted is also receiving deductions from other rooming residents via Centrepay. This will enable Centrepay to identify the addresses of those other residents and again undertake a check of the relevant state rooming house register and notify both the relevant local council and Consumer Affairs Victoria.

Trialing approaches to improve accountability

Centrelink, and UnitedCare Harrison (a homelessness support agency) are currently piloting a joint project in the eastern region of Melbourne called Housing Options Eastern (HOPE). In this pilot new homelessness data flags will be used to highlight those customers at risk of becoming homeless. These customers will then be linked with housing support workers co-located at three Centrelink offices early enough to prevent them becoming homeless.

The pilot will allow the sharing of de-identified customer information between Centrelink, Consumers Affairs Victoria and UnitedCare Harrison. It is envisaged that Centrelink will create a data report that cross checks its Commonwealth Rent Assistance and Centrepay rent deductions to show where 4 or more customers are residing at the same address, to help identify rooming house accommodation. If it is suspected to be an unregistered rooming house, Centrelink will pass this information onto Consumer Affairs Victoria, who in turn will link residents to Harrison's HOPE program. Harrison will contact local councils and provide residents with the appropriate housing and other support.

This information sharing between Commonwealth and state agencies is important. In addition to state authorities taking action, Centrepay should itself develop and enforce stricter accountability of rooming house operators and their business practices.

For further information

Should you have any questions regarding the submission please do not hesitate to contact either Mike Williams, Policy and Liaison Worker, Tenants Union of Victoria on **+61394111413** or Sarah Toohey, Manager, Policy and Communications, on **+614884156204**.