Code of Operation

The Code of Operation (the Code) supports the protection of Services Australia income support payments and Department of Veterans' Affairs (DVA) payments made to nominated accounts. This applies where the customer has a recoverable debt due to their account being overdrawn.

1. Purpose of the Code

All parties to the Code recognise that a customer's income support payments are intended to make sure they can access basics such as food, accommodation and other costs of living for themselves and their families. Reducing the amounts available to these customers each fortnight may increase their vulnerability.

The aim of the Code is to safeguard sufficient income in the accounts of customers receiving Services Australia income support or DVA payments. Participating Authorised Deposit-Taking Institutions (ADIs – as defined in the *Banking Act 1959*) agree that they consider this when deciding the amount they should recover each fortnight for the repayment of a debt.

2. Parties to the Code

The following parties have reviewed and endorsed the Code:

- Services Australia
- the Department of Veterans' Affairs (DVA)
- Australian Banking Association (ABA) for member banks
- Australian Finance Industry Association (AFIA) for member ADIs who offer account types that are covered by the Code
- Customer Owned Banking Association (COBA) for member banks and signatories to the Customer Owned Banking Code of Practice.

3. Previous versions superseded

The Code was last reviewed and endorsed in August 2021. This Code supersedes all previous versions and will apply from September 2026.

Parties applying the Code should make sure the revised version of the Code is made available to customers and staff within 3 months of endorsement.

4. Application of the Code

This Code is a non-legally binding statement of best practice between the parties outlined at (2) above.

The Code applies to the recovery of debts by the participating ADIs (represented by the ABA, AFIA and COBA) that result from the overdrawn accounts of customers or their payment nominee or representative, where no repayment arrangement already exists.

All parties also recognise that not all customers:

- receive their payment on a fortnightly schedule
- receive their payment to their account via Direct Entry
- receive the statutory maximum amount payable for any Services Australia or DVA payment (for example, due to means testing reductions)
- have 100% of their payments paid into an account with any ADI (for example, due to payment splitting)
- receive 100% of their entitlement (for example, due to Commonwealth debt recovery).

Under the Code, the default position is that a customer should be able to retain at least 90% of their Services Australia or DVA payments in any fortnightly period. However, nothing in the Code prevents either of the following:

- a customer or their authorised agent and the ADI discussing and agreeing to an amount of repayment appropriate to the circumstances of the customer.
- an ADI determining, after consultation with the customer or their authorised agent, that a repayment amount of more than 10% of that customer's payment from Services Australia or DVA is reasonable and appropriate in the customer's circumstances.

A customer or their authorised agent can ask their ADI to review the repayment amounts if the customer's circumstances change.

ADIs will determine the most appropriate and effective means of applying the Code to protect customers at risk of financial difficulty or financial hardship. ADIs may achieve this by either:

- automating the application of the Code where possible
- applying the Code through alternative channels that enable appropriate customer engagement and support.

A **customer** means a person receiving a Services Australia income support or DVA payment that is listed in the Payment Schedule of the Code.

A **nominated account** means the account to which Services Australia income support or DVA payments are directed for a customer. This includes the account of authorised payment nominees or representatives (where an arrangement exists).

An **overdrawn account** is an account that a payment, covered by the Code, is paid into that has a negative account balance.

A **repayment** includes both a payment in full satisfaction of a debt and an instalment payment in respect of a debt.

An **authorised agent** is a financial counsellor, or other representative who is properly authorised by the customer to deal with the ADI in relation to matters arising under this Code and is acting in the customer's best interests. ADIs should adhere to their standard practices when determining if the third-party representative is an authorised agent.

The Code does not apply where it would conflict with any conditions mutually agreed between a customer or their authorised agent and the ADI for the making of a payment by the institution to that customer.

Nothing in the Code stops an ADI from exercising any other right or commencing any action an ADI may take to recover such debt. However, parties who follow the Code support standards of best practice for debt recovery from customers who receive Services Australia income support or DVA payments, such as those contained in the debt collection guideline for collectors and creditors, jointly produced by the Australian Competition Consumer Commission and the Australian Securities and Investments Commission.

5. Procedure

Step 1

In conducting its debt recovery procedures, the ADI establishes that the customer is a Services Australia or DVA payment recipient receiving a payment covered by the Code. Customers receiving a payment covered by the Code will have the Code applied to all other Services Australia or DVA payments in the same payment period. Payments from Services Australia and DVA will contain identifying code information. Services Australia will give this payment code information to ADIs.

Step 2

When an ADI has established that the customer is a Services Australia or DVA payment recipient receiving a payment covered by the Code, the ADI should make best endeavours to make the customer aware of the Code, for example, making sure that information on the Code is available to the customer on the ADIs website. To support contact with customers or their authorised agent in cases where an account becomes overdrawn, ADIs should consider identifying which of their customers receive Services Australia income support payments or DVA payments at an early stage.

Once overdrawn, if the ADI does not contact the customer or their authorised agent, or is unsuccessful after reasonable efforts have been made, the ADI should determine a deduction amount payable that is no more than 10% of the customer’s fortnightly payment.

Alternatively, where it is impossible or reasonably impractical to limit the deduction to a maximum of 10% of the customer’s fortnightly payment, an ADI may as a last resort, either:

- ‘freeze’ the account. A ‘frozen’ account must be reinstated as soon as the customer or their authorised agent makes contact
- deduct the amount owing. At the next interaction relating to their overdrawn account, either initiated by the ADI or the customer or their authorised representative, the ADI will make the customer or their authorised agent aware of their entitlement to 90% of their fortnightly payments and facilitate access to this amount unless the customer or their authorised agent and the ADI discuss and agree to a different amount of repayment which is reasonable and appropriate to the circumstances of the customer.

Step 3

The ADI may contact the customer or vice versa, and negotiate a payment arrangement for any amount agreed between them, subject to the following:

- The ADI will not require repayments that are greater than 10% of the customer's fortnightly Services Australia income support payment or DVA payment without first establishing that a higher amount is reasonable and appropriate in the customer's circumstances.
- When considering if a repayment amount of more than 10% of the customer's fortnightly payment is reasonable and appropriate, the ADI may consider factors including:
  - the intent of Services Australia income support payments, making sure the customer can access essential items
  - any prior deductions from the customer's Services Australia income support payment or DVA payment, for example Centrepay or Rent Deduction Scheme payments
  - where a debt exceeds the usual payment being credited to the customer's account, the ADI will consider arrangements for future payments as recovery of the debt
  - any other circumstances which may affect a customer's ability to repay the debt, including additional care for those who are experiencing vulnerability.

Step 4

Having determined an appropriate amount for a payment arrangement, the ADI will make sure that the customer has access to the remainder of each fortnightly payment Services Australia or DVA make. This payment arrangement remains until the customer pays the overdrawn amount in full.

Step 5

The ADI will make a record of arrangements made with the customer or their authorised agent in respect of repayment of debts arising from overdrawn accounts. The record will include details of any:

- agreement between the customer or their authorised agent and the ADI
- reason for decline of a requested payment arrangement
- information given to the customer or their authorised agent on their rights and further avenues for resolution of the disagreement.

Step 6

A customer or their authorised agent can request a copy of the payment arrangement. The ADI may review the payment arrangement if the customer's circumstances change.

6. Enquiries and disputes

Customers or their authorised agent should contact their ADI if they believe the ADI has failed to act in accordance with the Code. Customers or their authorised agent can resolve the matter by following the internal dispute resolution process of the ADI. If the dispute cannot be resolved to the customer's or their authorised agent's satisfaction by their ADI, they can take their complaint to an external dispute resolution scheme for independent review. That could be, for example, the Australian Financial Complaints Authority of which the ADI is a member.

7. Distribution and publicity

All parties to the Code will take steps to make customers or their authorised agents and staff aware of its provisions. Within 3 months of endorsement, parties to the Code will implement obligations to support public awareness of the Code and to share with all relevant staff of their organisations. The nature and existence of this Code should be publicised to customers using standard communication methods.

8. Review of the Code

Services Australia and DVA must review the Code every three years. Where changes are needed, this review can be completed earlier. All parties to the Code will be consulted during the course of any review. The current version of the Code will continue to apply until such time a new version is published.

9. Payments relevant to the Code

The Code will apply for those customers receiving the Services Australia income support payments and DVA payments that are listed in the schedules below.

While not specified, ADIs may also consider application of the Code to other Services Australia and DVA administered payments, where requested by a customer or their authorised agent. For example, the Australian Government Disaster Recovery Payment and National Redress Scheme Payments. The application of the Code to any payment types that are not listed below is at the discretion of the ADI. Any changes to the payment schedule will be communicated to ADIs via their member representatives.

Payment Schedule for Services Australia

- Age Pension
- Austudy
- Carer Payment
- Disability Support Pension
- Farm Household Allowance
- JobSeeker Payment
- Parenting Payment
- Special Benefit
- Youth Allowance
- ABSTUDY Living Allowance – A regular, means tested payment made to customers under a scheme rather than legislation.

Payment Schedule for DVA

- Income Support Supplement
- Service Pension
- Veteran Payment
- Crisis payment
- Defence Force Income Support Allowance
- Education Entry Payment
- Periodic Payments of Wholly Dependent Partner's Pension
- Service Pension (Age)
- Service Pension (Invalidity)
- Service Pension (Partner)
- War Widow(er)'s Pension
- Incapacity Payments
- Permanent Impairment Payments.