

Australia: New South Wales government agency uses “unlawful” automated debt collection system to target poor

John Harris
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The New South Wales (NSW) ombudsman released a report in November revealing that Revenue NSW has unlawfully used automated systems to forcibly collect debt from disadvantaged and financially vulnerable working-class families and individuals since January 2016.

The report showed that Revenue NSW, the state government’s debt collection agency, issues “large volumes” of garnishee orders “to the big four banks in particular.” An automated system at Revenue NSW sends out a nightly list of individuals deemed to have defaulted on fines, ordering the banks to identify accounts held by these individuals and transfer funds to satisfy the debts.

The use of automation has dramatically increased the number of these orders issued by Revenue NSW. In the 2010–2011 financial year, there were 6,905, while in 2018–2019, more than 1.6 million were issued.

According to the report, many families and individuals were left with “zero balance in their accounts.” Among those targeted “were welfare-recipients, whose bank accounts had held the funds they were receiving from Centrelink as their only source of income.”

In one case reported by the *Sydney Morning Herald* (SMH) last year, a young pregnant mother had her account frozen while the bank complied with a garnishee order from Revenue NSW. The SMH stated: “The woman, who had two young children and lived in a rural area, lost access to her only source of income from Centrelink and was left unable to pay rent, buy food or travel home until her next payment from Centrelink.”

The *Guardian* reported another case in which a woman on a disability support pension, who had only recently secured social housing, had all the money from her account cleared by the automated debt recovery system. The woman had been the victim of a crime and had received a payment from Victims’ Services, but less than two weeks after the money was deposited into her account, it was automatically withdrawn to pay a fine.

Revenue NSW is not obliged to provide notice to a person subject to a garnishee order before or after it is carried out. In other words, someone will only become aware that they have been subjected to a debt recovery operation when they notice funds missing from their bank account.

In August 2016, following a wave of complaints, Revenue NSW implemented a “minimum protected amount,” meaning banks could not be ordered to seize funds to service debts of less than \$536.90.

These changes did little to prevent the bank accounts of vulnerable people being drained, and complaints continued to flood in.

In September 2018, Revenue NSW implemented a new algorithm aimed at excluding “vulnerable persons” from the debt recovery orders. This was not motivated by any concern for the wellbeing of these individuals, but by the recognition that “collection success rates were lower” and the administrative costs of processing refund requests outweighed the revenue collected.

When the ombudsman questioned the legality of the entirely automated process, Revenue NSW added a manual step to the process in order to keep the lucrative operation running. In fact, this additional step amounts to little more than a rubber stamp. Prior to the day’s orders being sent out to banks, a staff member is presented with a series of green or red “traffic lights” generated by the system. If all lights are green, the list is transmitted to the banks without question. The only human intervention is to examine files flagged red to consider whether they should be sent to the banks.

Legal advice obtained by the ombudsman found that the lawfulness of the automated system remains questionable despite these minor tweaks, but the system is still in place.

The reality is, the impact of automation is merely to make more ruthless and efficient a process that is endorsed by all the major political parties, and the entire capitalist establishment. In order to transfer an ever-growing share of

wealth to the financial elite, increasing amounts must be extracted from the working class.

The Revenue NSW setup has been dubbed “Robodebt 2.0” on social media. Through the so-called “Robodebt” system, an estimated \$660 million was taken from former and current Centrelink welfare recipients. The federal government’s “income compliance” measures seized \$3.36 billion in 2018–19.

Robodebt 2.0, the “data-matching” and “averaging” debt collection system was imposed in 2011 by the Greens-backed Gillard Labor government. Bill Shorten, then assistant treasurer, declared that it would see “more people being referred to the tax garnishee process,” to “retrieve more outstanding debt.”

The debts collected through Revenue NSW’s automated process are mostly for unpaid parking, speeding and other traffic fines, but also include fines for drug offences, theft and unpaid taxes.

A University of Wollongong 2018 research paper “The Hidden Punitiveness of Fines,” noted that courts “frequently impose fines on offenders who already have outstanding fines that they cannot pay.”

The research paper explained that “enforcement has necessarily assumed growing significance,” because fines have reached “massive levels. In NSW in 2015–16, the total value of penalty notices issued by agencies... amounted to almost half a billion dollars.”

In a public statement, Scott Johnson, chief commissioner of state revenue at Revenue NSW claimed the numbers were “misleading,” because, of the 1.6 million orders issued to around 238,000 individuals in 2018–19, “only 32,000 were successful relating to 28,000 individuals.”

Johnson added: “On average just \$498 was recovered from an average outstanding debt of \$2,088.”

In other words, the vast majority of people targeted by the automated debt recovery system did not have the capacity to pay. This is a reflection of the immense financial stress confronting growing numbers of workers and young people.

According to Me Bank’s July 2021 “Household Financial Comfort Report,” 16 percent of Australian households had less than \$500 in savings and 21 percent of households less than \$1000.

While the fully automated system applies only to the collection of unpaid fines, other debts can also be recovered by the state agency through garnishee orders issued to banks.

Revenue NSW also collects “state debts” for unpaid ambulance fees, Victims Services restitution orders and unpaid council rates debts. As of November last year, Revenue NSW had issued more than 134,800 debit notices for unpaid COVID-19 hotel quarantine bills.

A new State Debt Recovery Bill was introduced in 2018

that broadened the range of debts subject to recovery orders.

Liberal Member of Parliament Leslie Williams declared that the new legislation would bring about “the reduction of the cost of debt recovery, improvement in debt recovery success rates and an increase in government revenue.”

Williams added that the legislation was aimed at securing “an additional \$85.5 million worth of debt... within four years and \$45.5 million to \$97.5 million each year thereafter.”

When the act commenced, Laura Bianchi, a solicitor from the Redfern Legal Centre, said she was “particularly concerned with the wide scope of ‘referable debt’” covered under the legislation, “specifically because it appears to extend to social housing debts.”

Bianchi said that state agencies were previously required to obtain judgment from a court before they could collect debt, but “now Revenue NSW can simply send a notice to a person’s last known address, and if the debt remains unpaid after the due date, debt recovery action will commence.” This can include taking money from a person’s bank account, seizing property and placing a charge on land.

Growing sections of the population confront increasing levels of private debt and financial insecurity, partly as a result of the normalisation of precarious casual employment. For many working people, already struggling to keep up with rent, utility, and food bills, incurring a fine or debt can spell disaster.

The intensification of debt collection reveals the lengths to which the Australian ruling elite and its political representatives are willing to go to claw back as much wealth as possible from the most disadvantaged sections of the population.

This is not an aberration, but a defining characteristic of the capitalist system. The alternative is the fight to establish socialism, under which society will be reorganised to meet the needs of everyone, including the most vulnerable.



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