

What you should know if you've overdrawn your account

Centrelink Code of Operation with Participating Financial Institutions



What happens if my account doesn't balance?

If you take more money out of your bank/building society/credit union account than there is in it, you've overdrawn and you owe your financial institution money. You should always be careful not to overdraw your account without the permission of your financial institution. Don't forget that your institution can charge you interest and fees on an overdrawn account. The fees are in addition to any fees usually associated with conducting your account.

An example of a situation where your account can be overdrawn is where your bank/building society/credit union debits your account with account keeping fees and charges and sufficient funds are not held in the account to cover these charges. Another example is where you may have a cheque-linked savings account, write a cheque but, by the time the cheque is paid by the bank/building society/credit union, other withdrawals may have mistakenly resulted in insufficient funds being held in your account to cover the cheque.

Where an account is overdrawn, any moneys paid into your account can be used by the financial institution to pay back what you owe. This includes any pension, benefit or allowance paid into your account.

The Centrelink code of operation with participating financial institutions

The financial institutions and Centrelink know you need a reasonable amount of money to live on.

So they have agreed to limit the amount of any one pension, benefit or allowance they will take to recover what you owe when your account is overdrawn.

The agreement is known as the 'Code of Operation for Centrelink Direct Credit Payments'.

Are there instances where the code does not protect my Centrelink payments?

The Code does not extend to over any fraudulent, dishonest or otherwise unlawful transactions, conduct or activity by you.

Nor does it extend to cover the situation where a financial institution makes a payment in advance at your request.



What happens if I do not repay my debt with the financial institution?

If your debt is unpaid for 60 days and the financial institution has sent a written notice to your last known address advising you of the overdue payment and requests payment of the amount owing and you fail to respond, the financial institution may report the matter to the Credit Reference Association of Australia (CRAA).

If this action is taken then this may affect your credit rating.

The financial institution may also take legal action against you to recover the outstanding amount.

Percentage to live on?

The Code says you can withdraw at least 90 per cent of each Centrelink payment credited to your account in each pay period. This means your financial institution will not use more than 10 per cent of each pension, benefit or allowance payment to repay the money you owe unless you agree to pay more.

If you have overdrawn your bank/building society/credit union account, talk to your financial institution and it will reach an agreement with you on how much to pay from each Centrelink payment.

If you don't think you've overdrawn your account, tell your financial institution why.

Example:

If you get a pension, benefit or allowance payment of \$200 a fortnight, you can have access to at least \$180 unless you agree to pay more, and up to \$20 per payment will be used to repay the money you owe.

What if I can't live on that much?

If you don't have enough money left after your institution has taken some money from your account, talk to them about it.

Your institution may agree to let you keep more of your Centrelink payment.

Who can I talk to?

There are special people you can talk to at the financial institution or at Centrelink, if you have any problems with how much is being taken out of your bank/building society/credit union account.

Ask your institution to and about appeal procedures should you have a debt.

At Centrelink you can talk to a Customer Service Officer or a Social Worker. Phone us on **13 1021** for an appointment

You may also wish to contact the Banking Ombudsman on **Freecall™ 1800 780 808**.

What if I have to pay Centrelink as well?

Talk to us if you also owe us money and the total amount of the repayments to us and your bank, building society or credit union will cause you hardship.