



**MINISTRY OF SOCIAL  
DEVELOPMENT**

TE MANATŪ WHAKAHIATO ORA

- 7 SEP 2016

Dear

On 15 June 2016 the Ministry received your email requesting, under the Official Information Act 1982, the following information:

1. *Section 86 of the Social Security Act 1964 provides options such as deduction notices for the recovery of debt. Can you please advise how often deduction notices have been used with organisations such as banks or employers for the purposes of collecting outstanding debt over the past five years?*
2. *Can you please advise if any debt has been recovered under new section 86AA of the Social Security Act 1964?*
3. *Does the Ministry of Social Development have the authority to seize assets (either themselves or with other agencies) to assist with debt recovery? If so, could you please advise how often this mechanism has been used over the past five years?*

A deduction notice is a statutory notice issued under section 86A of the Social Security Act 1964 and is an important debt collection tool for the Ministry. A deduction notice is issued to a third party, such as banks or employers, requiring them to make deductions from any amounts payable to a current or former Ministry client with an outstanding debt balance.

The deduction notice may require deductions by way of a lump sum or by instalments and will continue to apply until the amount required has been deducted or the notice is either revoked or withdrawn by the Ministry. Furthermore, the Ministry has the power to prosecute the third party for not complying with the terms of the deduction notice. The decision to issue a deduction notice is made only after all other practicable steps have been exhausted and with consideration of avoiding any significant hardship.

Some deduction notices are issued following a client's request for a voluntary deduction or as part of the negotiation process, so not all deduction notices are enforced by the Ministry.

In response to your first question, the table below shows the number of deduction notices with employers or banks from 2011 to 2015. The Ministry is unable to differentiate between voluntary and involuntary notices.

Calendar Year	Deduction Notices		Total
	Employer	Bank	
2011	19,562	713	20,275
2012	24,458	1,275	25,733
2013	32,015	1,410	33,425
2014	33,964	1,151	35,115
2015	34,945	1,324	36,269

Please note that multiple notices may be placed against the same client in any one year. In some instances deductions may be returned by the bank due to insufficient funds, or returned by the employer as the client was no longer employed. Thus, the figures in the above table are likely to be higher than the recoveries actually received from employers or banks in these years.

In response to your second question, there is currently a repayment arrangement in place for 130 debts that have been established, resulting in collection of \$0.2 million.

In response to your third question, there are a small number of people that are prosecuted for benefit fraud who have significant assets which could be secured and used to repay their debt.

The Ministry can request seizure of these assets under the Criminal Proceeds (Recovery) Act 2009 by way of a request to the Police Asset Recovery Unit. Since 2012 two requests have been made.

I hope you find this information helpful. You have the right to seek an investigation and review of my response by the Ombudsman, whose address for contact purposes is:

The Ombudsman  
Office of the Ombudsman  
PO Box 10-152  
WELLINGTON 6143

Yours sincerely



Ruth Bound  
**Deputy Chief Executive**  
**Service Delivery**