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Labor MPs urge time limit on welfare debts after $1.1b reboot

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Jul 19, 2025 – 12.01am

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Labor MPs Alicia Payne and Michelle Ananda-Rajah have called on their own government to legislate a time limit on recovering welfare debts, a move that could wipe up to $1 billion in historic debts.

The Australian Financial Review revealed this week the Albanese government is considering forgiving 160,000 historical debts despite a court ruling they could be recalculated and recouped.

Labor MPs Alicia Payne (left) and Michelle Ananda-Rajah support time limits to be imposed on the recovery of welfare debts.

The ruling prompted the Department of Social Services to begin reassessing debts calculated by a method labelled unlawful by the Commonwealth Ombudsman because of assumptions about a person's daily earnings when their pay cycles did not line up with their welfare income reporting period.

Social Services Minister Tanya Plibersek is developing options to fix the legacy of the income apportionment method, which was used for at least 30 years until 2020.

The Greens and Community and Public Sector Union, as well as welfare advocates including Economic Justice Australia and the Antipoverty Centre want the debts wiped, both out of fairness to welfare recipients and because the robodebt royal commission recommended a six-year limit for recovery.

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EJA chief executive Kate Allingham said its member centres had “seen debts in the hundreds of thousands of dollars, going back to the 1980s, finishing in the early 2000s, and yet which weren’t raised until the early 2020s”.

“This is completely unacceptable.”

Payne said she was “pleased that forgiving the debts is being considered as an option and I would hope that we would do that”.

“We saw from the robodebt scandal the pain and distress trying to recover debts going back many, many years ago can have on people,” she said. “Particularly where it is questionable if these debts are even correct I’d like to see us not place people under that distress.”

Payne said a six-year limit, which the government accepted in-principle in November 2023 but has not yet legislated, “sounds very reasonable to me”.

“I hope it’s something we would support.

“It is a significant amount of money, but I also don’t see how we would actually get that money back. I don’t think the budget should be counting on money ... from the 1990s.”

Ananda-Rajah, the member for Higgins from 2022 to 2025 and now a Victorian senator, said that “these historical debts should be time-limited”.

> **“To pursue these debts would be not only cruel but a petty and absurd use of taxpayers’ resources.”**
>
> — Greens social security spokeswoman Penny Allman-Payne

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"I don't know where the cutoff should be, but it is rough to be hitting people decades on, particularly when we don't know what their financial circumstances are.

"We're the Labor Party … our ethos is we're very concerned about vulnerable Australians, people who don't have a voice at the table. It could potentially erode Australians' trust in the social security system if we pursue historical claims spanning decades. Worse, it could introduce a reluctance to use the system when people need it most."

Greens social security spokeswoman Penny Allman-Payne has written to Plibersek arguing that "given the department's use of illegal income averaging on these debts, if these debts are lawful at all, many would require manual review and recalculation".

"Given it would require enormous amounts of the department's time and resources to manually reassess and review over 100,000 cases, to continue to pursue these debts would be not only cruel but a petty and absurd use of taxpayers' resources," she said.

Independent MP Andrew Wilkie said the government "should forgive the historic illegal social security debts".

"If a series of governments can't comply with the law with all the resources at their disposal, then it's their problem, not individual welfare recipients'."

CPSU national secretary Melissa Donnelly said pursuing historic debts could cause a "spike in customer aggression".

"The existence of debts dating back to the 1970s highlights the need for Services Australia to have adequate staffing and systems in place to resolve issues as they arise – not decades later."

Antipoverty Centre spokeswoman and disability pension recipient Kristin O'Connell said that "when these debts were paused, people affected were able to take a breath and focus on day-to-day survival, but a letter arriving in the MyGov inbox demanding more information about these debts will send many into a tailspin".

O'Connell called on the government to compensate "people who repaid debts that were unlawfully calculated", a demand which would increase the cost of remediation to a maximum total of $4.9 billion, the value of debts calculated under the income apportionment method, including those paid back or settled.

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Paul Karp is The Australian Financial Review's NSW political correspondent.

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