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About book up



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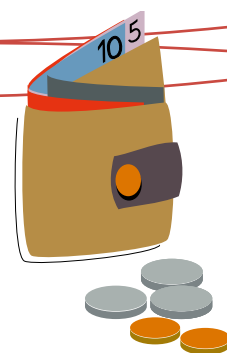
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Book up can be positive for consumers or cause problems depending on the way it is managed and the local circumstances.

This chapter looks at different types of book up and some benefits of book up for consumers.

It also discusses some specific problems with book up and what factors can make a difference in how book up operates.





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1.1

What is book up?

'Book up' or 'book down' is credit offered by stores and other traders for the purchase of goods or services. Broadly speaking, book up allows consumers to buy goods now and pay later. Book up is commonly used by Aboriginal people, especially in regional and remote areas of Australia.



Most traders that offer book up require some form of security (that is, a way to guarantee that they will be repaid) with minimum inconvenience to them. A common practice is for the trader to hold the consumer's bank debit card as security, often with their PIN number as well.

Alternatively, the consumer may agree to have a welfare cheque forwarded to the trader, or the trader and consumer may agree to set up a direct debit arrangement or a Centrepay transfer.

>> see 4.3 Centrepay, page 64 >>

For some consumers, book up is the only or most convenient way to buy goods on credit, or to get cash advances. It can also be the only way for consumers to manage their money in some rural and remote areas where there are no banking services.

But book up also comes with a range of problems, including high fees, lack of transparency, no accountability, lack of flexibility and fraud. It is important to recognise that what causes problems for consumers is generally not book up itself. Instead problems for consumers generally arise from the way book up is managed by traders.

1.2

How does book up work?

The widespread use of book up and book down has developed in response to the specific conditions of particular Aboriginal communities. These include historical welfare practices, the absence of appropriate financial services like banking (especially in remote areas), and the lack of opportunities to learn financial management skills.

There are many types of book up. Book up can be provided by different businesses—from community stores to roadhouses, regional airlines, taxis, milk bars or hawkers. It may be offered for food, other groceries, whitegoods, fuel, airline tickets or almost any other item. In some places it is illegal to offer book up for alcohol.

> > see 3.1 *Setting standards for traders*

'Guidelines on book up for liquor licensees' page 44 > >

Book up may be based entirely on trust, or there may be various arrangements in place to ensure that the trader will be paid. The most common practices are for welfare cheques to be sent to the consumer through the trader, or for the consumer to leave their bank debit card with the trader (with or without their PIN number).

Other possible arrangements include the consumer authorising a direct transfer of funds on a regular basis either from their bank account² or directly from a government payment through the Centrepay system.

> > see 4.3 *Centrepay*, page 64 > >

² Sometimes called a 'direct debit'.

PIN numbers

Disclosing a PIN number creates a serious risk of fraud for the consumer. Australian consumer protection agencies do not endorse traders holding onto a consumer's PIN number.³

³ Summary of National Indigenous Consumer Strategy, National Priority 6: see 7.1 Government, page 112 > >

Book up is usually a 'free' service but some stores charge a fee. The consumer may also have to pay extra bank fees.

Different communities take different approaches to book up. Some communities want book up, some don't want it and some believe community members need book up which is managed in a fair and transparent way.



1.3 When does book up benefit consumers?

Book up can provide consumers with access to a source of credit and help them manage their money between payments. This can be essential where:

- * there are no other forms of credit or savings plans available,
- * people are trying to manage on small incomes with little breathing space to cope with unexpected or one-off financial needs, or
- * a family goes through a cycle of 'feast and famine' experienced by some Aboriginal families and communities.⁴

In some cases, consumers choose to have a trader hold their debit card for safekeeping as a kind of savings mechanism, or to avoid giving other people access to their account. In these instances, the trader does not need to know a consumer's PIN number and the consumer can keep control over access to the account.

In other instances, the debit card may be left with the trader if the consumer suffers from a mental or physical disability and is unable to use their card without assistance. Where consumers have a relationship of trust with the trader (and where fair, transparent conditions are available), book up can provide an important service.

⁴ N Westbury
CAEPR Discussion
Paper 187/1999,
see
page 16 >>

1.4

When does book up cause problems?

The way book up is organised often means that consumers are at risk of being exploited. Normally, the problem is not that credit is provided, but with the other practices that go with the provision of that credit.

Many problems associated with book up come from the practice of traders keeping consumers' debit cards, especially where they also have their PIN number and use it to access a consumer's account on payday.

Other problems occur if the trader does not keep good records of how much is owed, or if the trader charges high fees for book up.



⁵ See G Renouf
*Book Up: Some
Consumer
Problems,*
ASIC, 2002,
pages 22–23.

1.5

What are some specific problems with book up?⁵

Lack of choice

When consumers agree to leave their card or passbook with a store, they are often unable to get their card or passbook back until the debt is paid. They are therefore tied to that particular store.

Consequences for the consumer in being tied to a particular store include:

- * the consumer is unable to shop around,
- * it is difficult for the consumer to stop dealing with a business if they are unhappy with its services, quality or prices,
- * the consumer cannot get cash from their account for their other needs,
- * if the consumer lives some distance away from the store (for example, in another part of the town or city), they have the cost and inconvenience of travelling to the store because they don't have money to buy everyday items from a closer store.

These problems are less severe for families that manage a number of accounts (with several passbooks or cards). These families can use money paid into other accounts to shop elsewhere. In Central Australia, the MoneyFax system can also help a consumer pay for goods at another store without a fee > > see 4.12 *The MoneyFax system*, page 78 > >



No access to cash until the debt is paid

A regional airline provides credit to consumers for air travel. It keeps the consumer's debit card until the debt is paid. The consumer has no access to cash for a number of fortnights.

Similarly, a mechanic in a regional centre is willing to repair vehicles and allow the debts to be paid off over as many paydays as it takes. The mechanic keeps the debit card and withdraws all the consumer's money until the debt is paid.

Excessive debt

Some stores or service providers don't set a limit on how much can be booked up. Consumers may end up in debt beyond what they can afford to pay back. High levels of book up can also be a problem for the store, which may have difficulty staying in business because of the cost of carrying the debt or a high level of default.



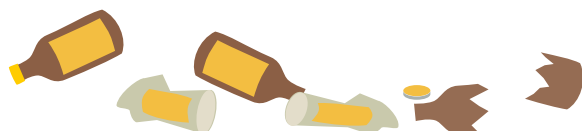
Book up and alcohol

Some stores allow consumers to buy alcohol on book up. Providing alcohol to consumers on book up is illegal in the Northern Territory. In other places, it may be a breach of liquor licence conditions.

>> see 3.1 Setting standards for traders

'Guidelines on book up for liquor licensees' page 44 >>

Some stores provide cash to consumers on credit, which they use to buy alcohol from the same store. This may breach the spirit of the terms of the licence even where it does not breach the precise terms.



Book up at a hotel

A hotel in Western Australia allowed alcohol to be booked up. It held the debit cards and PIN numbers of many Aboriginal people. The trader usually knew the day when regular payments were made into the consumers' accounts. The trader used EFTPOS to transfer funds from the consumers' accounts to the trader's account. The trader sometimes also asked consumers to complete a blank signed bank withdrawal form as well as giving the trader their debit card and PIN number.



Lack of transparency

If a store does not keep good records of all transactions, does not make them available for the consumer to inspect, or does not provide receipts for each purchase, the consumer cannot:

- * keep track of transactions,
- * ensure that they are re-paying the right amounts,
- * know how much is charged for goods under book up, or
- * know whether the amount being withdrawn from their account is the same as the amount booked up.

Fees, charges and poor record keeping

The consumer may end up paying more for using book up including:

- * a fee for use of the book up service,
- * additional charges or 'fines' for the book up account,
- * 'errors' in arithmetic as a result of poor record keeping or fraud, and
- * a fee for the return of a debit card.

The consumer may also have to pay an extra bank fee, sometimes called a 'penalty' or 'dishonour fee', if the store tries to transfer funds electronically when there is not enough money in the consumer's account.⁶

⁶ On the other hand, if the trader makes only one transaction on the consumer's account per fortnight, bank fees charged to the consumer may be less than they would be otherwise.

Poor records, high prices, fees and book up for alcohol

One store in a major regional centre held a large number of bank debit cards and PIN numbers on behalf of consumers. People came from many different places and travelled long distances in taxis or other transport to go to the store. The store normally advanced them the taxi fare when they arrived.

Some consumers alleged that the store provided liquor on credit, although this was in breach of their liquor licence. Consumers also alleged that the store didn't keep accurate records, often made mistakes in its own favour and charged up to \$10 as a fee for each book up transaction.



No access to cards or funds

If a store is closed (for example, over a holiday period), consumers have no access to their card and so no access to the money in their account.

No flexibility for emergencies or travel needs

In other instances, stores have refused to return debit cards to consumers who have asked for them back for an emergency or travel.

If the consumer travels away from the store, they may not be able to access their money, or may have to pay high fees for transfers between stores. This problem undermines the advantages of electronic access to bank accounts.



High fees for money transfer

Consumers in northern South Australia often travel to a regional centre to shop, 150 km or more away from their home communities. Many people leave their card at one of the shops in town to secure a book up arrangement. Back at their community, they can only get access to cash or goods by asking the community store to accept a transfer from the shop in town. The shop in town charges \$30 for each transfer.⁷

⁷ In Central Australia, MoneyFax provides the same service without a fee. see 4.12 page 78 > >

Risk of fraud and liability

Where a card and PIN number are left with the trader, the consumer runs the risk of fraudulent access to the account by:

- * the trader,
- * employees of the trader, or
- * third parties who gain access to the cards and PIN numbers (for example, by breaking into the store).

If a consumer gives their PIN number to anyone, the bank may hold a consumer responsible for any loss resulting from fraud.

Debit cards stolen

A shop in a regional centre held over 300 debit cards. Each card was in an envelope with the PIN number written on the outside.

A thief broke into the store and stole all the cards and used some of them to steal money. In this case, the shop was encouraged to repay any losses as they had been negligent in storing the cards with the PIN numbers. In other cases, consumers will lose money.

In Western Australia, a regional airline held around 70 debit cards. When these were stolen, consumers had no access to their funds for some time, even if their debts had been paid off.



Reduced financial knowledge and skills

Most book up arrangements reduce the need and opportunities for consumers to develop financial skills and control their financial affairs.

Confusion or disagreement over family use of book up

Some book up arrangements allow for family members or other people to book up against a consumer's account. While a particular arrangement like this may (or may not) be based on relevant Aboriginal cultural practices, it can leave the consumer open to exploitation, or at least to potential confusion or misunderstanding about who is allowed to book up what.

1.6 What makes the difference?



Whether book up is positive for consumers or causes problems depends on the way it is managed and the local circumstances.

Factors that influence the management and impact of book up include:

- * the distance to travel to the nearest shop, bank or commercial centre,
- * whether consumers have access to banking services (for example, if there is an EFTPOS facility or ATM in or near their community),
- * whether consumers have access to suitable credit or savings plans,
- * whether consumers have good financial skills,
- * whether or not staff of the store or the council are willing and able to help community members with transactions (for example, to help with phone or internet banking),
- * whether or not consumers have access to working phones or computers with internet connections,
- * whether consumers are vulnerable to exploitation by people with more power or access to more information, and
- * whether the community has control over the store and/or other traders in the area.

Community-managed book up

In some areas, the store is operated by a community-controlled organisation, and/or other traders in the area operate on Aboriginal land. Because the community has control over the store and other traders, they can control how book up operates.

Some communities allow book up, some do so only with strict limits, while other communities have made a decision not to allow book up in their area at all.

> > *For some examples of community-wide decisions and the reasons behind them, see 3 Better book up, pages 31–54 > >*

Book up and independent traders

Aboriginal communities have little direct control over traders and stores that are not on Aboriginal land or operated by Aboriginal organisations. These traders and stores range from taxi drivers, remote service stations, roadhouses, wayside inns and pastoral stores to shops in major urban centres.

In this situation, communities, government agencies and community organisations have attempted to promote forms of book up that protect consumers' rights, to ban book up in certain circumstances and to provide education and other help to consumers to avoid problems.

A community concerned about book up at a nearby store could consider:

- * working with the trader to set standards for book up, setting up a business in competition with the trader, or even buying the business that is causing the problem, > > *see 3 Better book up, pages 31–54 > >*
- * increasing the financial services available to community members, > > *see 4 Other ways, pages 55–80 > >*
- * helping consumers manage their money better, > > *see 5 Money skills, pages 81–96 > >*
- * seeking government support to respond to unfair practices and breaches of the law.

> > *see 3.2 Taking action against unfair traders, page 47 and 7.1 Government, page 112 > >*

Availability of financial services

Jon Altman, Director of the Centre for Aboriginal Economic Policy Research, has suggested that 'issues of governance and capacity development for Aboriginal communities in rural and remote regions are closely linked to issues of banking and financial service provision'.⁸

⁸ See J Altman, CAEPR 2002 page 16 > >

One of the reasons consumers and communities value book up is because of the lack of appropriate alternative financial services available to them. Aboriginal consumers in rural and remote locations do not usually have access to the same range of financial services as other Australians.

Even where some services are available, they may not meet the needs of all Aboriginal consumers due to cultural differences and/or a lack of information and education about how to use them effectively.



Some communities that do not allow or encourage book up can promote alternative forms of financial services, such as those offered by the Traditional Credit Union (TCU) or the Family Income Management (FIM) project in Cape York.

> > see 4 Other ways, pages 55–80 > >

Recent changes to Australia's financial system and the adoption of new technology have increased barriers to the delivery of financial services to Aboriginal people in remote areas. But these changes also provide opportunities for improved services.

⁹ See McDonnell and Westbury, CAEPR 2002 below > >

Partnerships between Aboriginal people and service providers can help design and deliver services that meet the specific needs of Aboriginal people. The TCU, the FIM project in Cape York and the Tangentyere Bank in Alice Springs show that Aboriginal people can fully utilise, and directly benefit from, services that are designed around their specific circumstances.⁹

1.7 More information

Here are some other general resources on book up that you can find at www.moneysmart.gov.au/life-events-and-you/indigenous/book-up:

- * G Renouf *Book Up: Some Consumer Problems*, ASIC, 2002
- * WA Financial Counselling Resource Project *Good Book Up Bad Book Up*, 2003

The Centre for Aboriginal Economic Policy Research (CAEPR) has published a number of papers that are relevant to financial services and Aboriginal people:

- * J Altman *Opening comments to Parliamentary Joint Committee on Corporations and Financial Services inquiry into the level of banking and financial services available to Australians living in rural, regional and remote areas of Australia*, CAEPR, 2002
- * J Altman, S McDonnell and S Ward *Aboriginal Australians and competition and consumer issues: A review of the literature and an annotated bibliography*, CAEPR Working Paper No. 12/2002
- * S McDonnell and N Westbury *Banking on Aboriginal communities: issues, options and Australian and international best practice*, CAEPR Working Paper No. 18/2002
- * S McDonnell *Chasing the money story: An evaluation of the Tangentyere Bank Pilot Project and its relevance to Aboriginal communities in central Australia*, CAEPR Working Paper No. 21/2003
- * N Westbury *Feast, famine and fraud: considerations in the delivery of banking and financial services to remote Aboriginal communities*, CAEPR Discussion Paper No. 187/1999.

You can also find information about book up in the National Indigenous Consumer Strategy. > > *see 7.1 Government, page 112* > >