



IT'S TIME TO END  
HOMELESSNESS

# Rent, bonds and other charges

Residential Tenancies Act Review

## Launch Housing Submission

April 2016

---

A merger between



## **Launch Housing**

Launch Housing was established in July 2015 following a merger between Hanover Welfare Services and HomeGround Services. We have an unambiguous mission – to end homelessness in Melbourne and beyond.

Launch Housing delivers a broad range of housing and homelessness services across 14 Melbourne sites. This includes crisis accommodation; transitional housing; support for people experiencing homelessness; Education First Youth Foyers; and *HomeGround Real Estate*, one of Australia's first not-for-project real estate agencies.

## **Structure of this submission**

Launch Housing's submission in response to the Issues Paper<sup>1</sup> on rent, bonds and other charges is broken into two parts:

- Firstly, we respond to the questions about bonds and make a number of recommendations for amendments to Residential Tenancies Act.
- Secondly, we respond to questions concerning rents and other charges and make a number of recommendations for amendments to Residential Tenancies Act.

Our submission also:

- Presents a short case study highlighting support provided by Launch Housing to an older women issued with a 14 day Notice to Vacate after falling a month behind in rent.
- Provides a brief comparison of median weekly rent rises in Melbourne compared to inflation, from 2006-2015.

# Bonds

## Landlord bonds

Launch Housing believes there is merit in the proposal to introduce landlord bonds in Victoria, however, if this was to occur, we believe it should be done so with exemptions for community housing organisations who manage a range of tenancies including transitional housing and housing in the private rental market.

The case for landlord bonds is based on the premise that like tenants, landlords hold a number of obligations under the Act. Just as a landlord can claim all or part of the bond if the tenant breaches their obligations (such as failing to pay rent or damaging the property), a landlord bond would allow the tenant to do the same – for example, if the landlord failed to maintain or repair the property.

**Table 1: Bonds**

Question	Launch Housing response/ recommendations
1. What issues arise from the way in which provisions for bonds in the Act currently balance the interests of tenants and landlords?	<p>Launch Housing believes that as a general principle, amendments to the Residential Tenancies Act should give tenants a greater level of protection and certainty with regard to how bonds are set and managed.</p> <p>Launch Housing also recommends the Residential Tenancies Act, the Disability Act and Mental Health Act be amended (or clarified if necessary) to ensure that people living in residential accommodation under the Disability Act or Mental Health Act are covered by the Residential Tenancies Act.</p>
2. What features of the regulation of bonds in other jurisdictions should be considered in Victoria.	Launch Housing recommends the Residential Tenancies Act be amended to reflect the approach in New South Wales and Tasmania where bond increases are not permitted during the tenancy.
3. What are the benefits of requiring landlords to provide greater assurance to tenants that they will meet their obligations under a tenancy agreement (for example, a landlord bond)?	Launch Housing believes there is merit in the proposal to introduce landlord bonds in Victoria, however, if this was to occur, we believe it should be done so with exemptions for community housing organisations.
4. How important is it to limit the amount a landlord can charge as a bond?	Launch Housing recommends that bonds be limited to a maximum of one month’s rent for general tenancies and two weeks rent for rooming houses and caravan parks.
5. What is the rationale for continuing to provide an exemption from the maximum allowable bond amount?	Refer to response to Question 4.
6. How does the availability of landlords’ insurance affect the need for current	Launch Housing believes the high uptake of landlord insurance reduces the need for landlords to set a bond that is higher than one month’s rent.

exemptions from maximum bond amounts?	
7. What are the advantages and disadvantages of allowing landlords to review the bond amount for some tenancies every time a new tenancy agreement arises, or when there is a rent increase?	Launch Housing believes that bonds should only be reviewed at the beginning of a new tenancy. We do not support bond increases when there is a rent increase during an existing tenancy.
8. Are there issues with taking a variable approach to bonds, for example in the context of rooming houses, caravan parks and residential parks?	Yes – refer to Launch Housing’s response to Question 4.
9. What are your views about the current arrangements for claiming and paying amounts from bonds at the end of a tenancy?	<p>Launch Housing recommends the Residential Tenancies Act be amended so that as a default, the bond be returned to the tenant within 10 days of the end of the tenancy if the landlord does not make a claim against the bond.<sup>2</sup></p> <p>Launch Housing also recommends the Residential Tenancies Act be amended so the part of the bond that is not being contested be returned to the tenant within 10 days of the tenancy ending.</p>
10. What scope is there for the Act to: <ul style="list-style-type: none"> <li>• specify a timeframe for lodging completed bond claim forms?</li> <li>• allow immediate repayment to a tenant of any bond amount that is not contested?</li> </ul>	Refer to Launch Housing’s response to Question 9.
11. As a tenant, have you been pursued for insurance costs that you have already paid out of your bond or through a compensation order issued by VCAT?	N/A.
12. What other requirements for bonds should be considered for family violence situations?	<p>Launch Housing recommends the Victorian Government provide funding to service providers to assist women (and children) fleeing family violence to recover their share of the bond.</p> <p>Launch Housing recommends that VCAT processes be strengthened to better apportion bond refunds between co-tenants in situations of family violence.<sup>3</sup></p>
13. What are other critical issues (if any) relating to bonds that have not been captured?	Launch Housing recommends the Residential Tenancies Act be amended to reflect Recommendation 116 made by the Royal Commission into Family Violence. <sup>4</sup>

## Rent

### Rent increases, rent bidding and auctions, and holding deposits

Launch Housing agrees with the view expressed in the Issues Paper that although the Residential Tenancies Act has little capacity to influence housing affordability, it can regulate a number of costs associated with renting a property, including rent in advance, rental bidding and auctions, holding deposits, and eviction for late rent payment.

Our response to questions in the Issues Paper about these costs – and other issues associated with renting – are outlined in the table below. As a general principle, we believe the Act should ensure that renters, particularly low income renters, are not disadvantaged by rental and other associated charges when commencing or maintaining a tenancy.

**Table 2: Rent and other charges**

Question	Launch Housing response/ recommendations
14. What issues arise from the way in which provisions for rent and other charges in the Act balance the interests of tenants and landlords?	<p>Launch Housing believes that as a general principle, amendments to the Residential Tenancies Act should give tenants a greater level of protection and certainty with regard to how rents and other charges are set and managed.</p> <p>Launch Housing also recommends the Residential Tenancies Act, the Disability Act and Mental Health Act be amended (or clarified if necessary) to ensure that people living in residential accommodation under the Disability Act or Mental Health Act are covered by the Residential Tenancies Act.</p>
15. What features of the regulation of rent payment processes, other payments, and arrears in other jurisdictions should be considered in Victoria?	Launch Housing recommends that landlords provide at least 60 days' notice of a rent increase and that rent can only be increased at a maximum of once every 12 months.
16. What issues are raised by the current provisions in the Act limiting the ability to charge more than one month's rent in advance, and is it still relevant in a contemporary rental market?	Launch Housing recommends that rent in advance be set at no more than two weeks in advance. This would bring Victoria into line with New South Wales, Western Australia and South Australia.
17. Why might it be important to limit to how much rent can be charged in advance?	Launch Housing believes it is important to limit rent in advance to ensure that lower income households are not unfairly disadvantaged when applying for a rental property.
18. What is the rationale for providing any exemptions from the maximum amount of rent in advance?	Launch Housing cannot see any rationale for providing exemptions from the maximum amount of rent in advance.
19. What is your experience in either participating in or conducting a rental auction or rental bid process?	Launch Housing recommends the Residential Tenancies Act be amended to prohibit rental auctions and rental bidding.

20. How well is industry self-regulation (such as the REIV practitioner guidelines) addressing rental auctions and is there a need for any regulation?	Refer to Launch Housing’s response to Question 19.
21. Have you experienced an excessive rent increase that did not reflect market rents in your area and, if so, what was your response?	N/A.
22. How effective is CAV’s rent assessment process in resolving concerns about a rent increase?	<p>Launch Housing believes CAV’s rent assessment process should be amended to give greater protection to tenants when they believe a rent increase is too high. Given the average median weekly rent for a two bedroom flat and three bedroom house have increased at twice the rate of inflation over the past decade in Melbourne (see Appendix 2), the test to assess a rent increase against other similar properties favours excessive rent increases. Where the tenant believes the rent increase is excessive, Launch Housing believes the onus should be on the landlord to justify an increase that is higher than CPI. We also recommend:</p> <ul style="list-style-type: none"> <li>• Rent increases should not be allowed if there is an outstanding repair order on the property.</li> <li>• That rent can only be increased at a maximum of once every 12 months and that 60 days’ notice be set as the minimum notice period for a rent increase.</li> </ul>
23. What is an appropriate notice period for a rent increase?	Launch Housing recommends that 60 days’ notice be set as the minimum notice period for a rent increase.
24. What is an appropriate frequency for rent increases? Does this change for longer term tenancies?	Launch Housing recommends the Residential Tenancies Act be amended so that rent can only be increased at a maximum of once every 12 months.
25. If you have experienced a tenant repeatedly paying their rent late, what is the average period of time they are in arrears?	N/A.
26. If you are a tenant who has paid their rent late, what is the reason for your late payment, and how late has your payment been?	See ‘case study’ on page 7.
27. What issues might arise from the fact that the late payment of rent (i.e. late by less than 14 days) is not currently a	Launch Housing believes the Residential Tenancies Act should offer greater protection for tenants who are struggling with late rental payments.

<p>reason to allow a landlord to issue a breach of duty notice?</p>	<p>Specifically, we recommend that the Act be amended to:</p> <ul style="list-style-type: none"> <li>• Change the notice to vacate period to 28 days for tenant initiated breaches.</li> <li>• Require VCAT to consider if eviction is reasonable in the circumstances.</li> <li>• Establish a trigger or warning system (after 14 days rent in arrears, for example) to alert tenants (and agencies that provide support to those tenants) that they are in arrears.</li> </ul>
<p>28. What are the arguments for or against allowing a landlord to claim compensation for incurring financial losses because rent has been paid late?</p>	<p>Launch Housing does not believe there is a strong case for allowing a landlord to claim compensation because rent has been paid late. As the Issues Paper and our submission notes, Victoria’s rental market is particularly tight and rents are increasing considerably faster than CPI (see Appendix 2 on page 7). We believe the Act should offer further protection to tenants struggling to pay their rent, as outlined in our response to Question 27.</p>
<p>29. How common are holding deposits? In what way do they uphold the rights of either landlords or tenants?</p>	<p>Launch Housing recommends the Residential Tenancies Act be amended to prohibit holding deposits.</p>
<p>30. What are your views about a possible requirement that at least one fee-free method of paying rent be provided?</p>	<p>Launch Housing recommends that all tenancies should have the option of at least one fee-free methods of rental payment.</p>
<p>31. Why are tenants currently required to pay the transaction costs of using third-party rent collectors?</p>	<p>Refer to Launch Housing’s response to Question 30.</p>
<p>32. What critical issues are there (if any) relating to rent and other payments that have not been discussed.</p>	<p>Launch Housing recommends the Victorian Government provide funding for a housing support worker to be located at VCAT to provide support and referral services to tenants who are evicted from their rental property, to ensure they are not evicted into homelessness.</p> <p>Launch Housing also recommends the Residential Tenancies Act be amended to reflect Recommendation 116 made by the Royal Commission into Family Violence.<sup>4</sup></p>

## Appendix 1: Case study (Q.26)

Beryl\* is a 70 year old women who had lived the same rental property for 13 years. In May 2015, Beryl was issued with a 14 day Notice to Vacate after falling a month behind in rent.

Beryl failed to respond to the Notice to Vacate, which prompted her property manager to contact Launch Housing with concern for Beryl’s wellbeing.

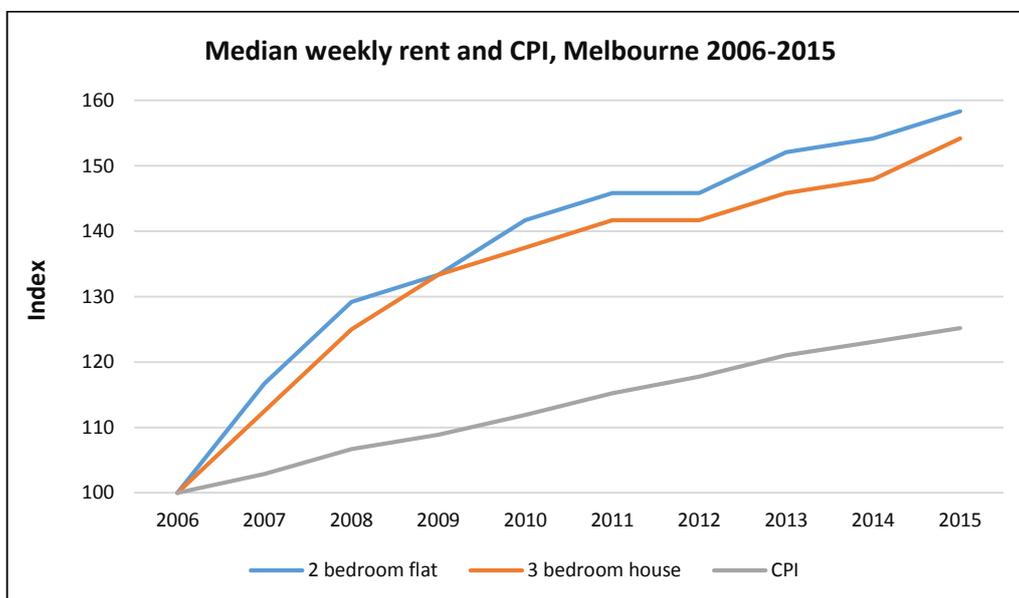
Beryl’s sole income was the Age Pension and she advised Launch Housing that her weekly rent of \$315 was unaffordable. Other expenses – including utilities, car registration, pets, and medications – left little money for food and other day-to-day expenses.

Launch Housing was able to assist Beryl to negotiate a reduction in her areas, develop a manageable re-payment plan, and to come up with a sustainable housing plan. The latter lead to Launch Housing assisting Beryl to find affordable long term housing in the community housing sector.

## Appendix 2: Rent increases in Melbourne, 2006-2015

Over the past decade, median weekly rents have increased at twice the rate of inflation in Melbourne. Figure 1 shows an index of median weekly rent in metropolitan Melbourne for a two bedroom flat and a three bedroom house against inflation from 2006 to 2015. During this time:<sup>5,6</sup>

- Rent for a two bedroom flat has increased by 58.3%.
- Rent for a three bedroom house has increased by 54.2%.
- Inflation has increased by just 25.2%.



*Rent and CPI are for the December quarter.*

---

\* Not her real name.

## References

---

<sup>1</sup> Consumer Affairs Victoria, *Rent, bond and other charges: Issues Paper*, Residential Tenancies Act Review, 2016.

<sup>2</sup> For further exploration of this recommendation, refer to: Tenants Union of Victoria, *Response to Laying the Groundwork – Residential Tenancies Act Review Discussion Paper*, 2015, Recommendation 67, pp. 44-45.

<sup>3</sup> For a detailed exploration of the barriers to claiming a bond faced by women fleeing family violence and solution to address these barriers, refer to: Tenants Union of Victoria, *Submission to the Royal Commission into Family Violence*, 2015.

<sup>4</sup> State of Victoria, *Royal Commission into Family Violence: Summary and recommendations*, Parl Paper No 132, 2016.

<sup>5</sup> Source: Department of Human Services, Current Rental Report – Quarterly median rents by LGA September quarter 2015, Available from <http://www.dhs.vic.gov.au/about-the-department/documents-and-resources/research,-data-and-statistics/current-rental-report>.

<sup>6</sup> Australian Bureau of Statistics, *6410.0 Consumer Price Index, Australia*, December quarter, December 2015.