

**VICTORIAN MULTICULTURAL COMMISSION**

**FAIRER SAFER HOUSING VICTORIA**

**SUBMISSION TO THE RESIDENTIAL TENANCIES ACT (RTA) REVIEW  
ISSUES PAPER: RENT, BONDS AND OTHER CHARGES.**

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**1. INTRODUCTION**

- 1.1. The Victorian Multicultural Commission (VMC) is the voice of Victoria's culturally and linguistically diverse (CALD) communities and is the main link between them and the government. The VMC provides independent advice, informed by regular community consultations, to the Victorian Government in accordance with its statutory role under the *Multicultural Victoria Act 2011* (the Act).
- 1.2. The VMC welcomes the opportunity to make a submission to stage two of the review of the Residential Tenancies Act 1997 (the review), in relation to the issues paper *Rent, bonds and other charges*. The VMC notes the intent of the review to examine the mechanisms that support a well-functioning rental market in Victoria, with enhanced outcomes for all market participants, especially low income<sup>1</sup> and disadvantaged tenants, while also meeting the *Fairer Safer Housing* goals.
- 1.3. Melbourne is a major immigrant destination city with an intensely competitive private rental housing market. More than any other group, migrants are required to gain entry to housing markets in Victoria through private rentals. Thus, rental affordability and tenant protections for householders have important implications for Victoria's multicultural communities.
- 1.4. Through its regular community consultations and regional advisory council (RAC) meetings the VMC has identified that certain groups are more likely to be adversely affected by the vagaries of the open private rental housing market. These include recent migrants, new arrivals and humanitarian entrants (families, individuals and unaccompanied minors) who are at a particular disadvantage and vulnerable in Victoria's private rental markets.<sup>2</sup> The VMC's own community consultations have indicated significant differences in housing access for multicultural groups within the private rental market in Victoria.
- 1.5. The VMC has a statutory responsibility to research, report and advise the government on systemic community issues relating to the full participation by Victoria's diverse communities in the social, cultural, economic and political life of Victoria. As housing plays a critical role to full participation, this submission responds to each section of the issues paper by addressing specific questions on matters most likely to affect diverse communities disproportionately – namely *Rental Affordability; Bonds; and Rent and other payments*.

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<sup>1</sup> A low-income household is defined as a household whose equivalised gross income falls in the lowest 40% of the population. Senate Economics References Committee, 2015.

<sup>2</sup> Refugee Council of Australia, 2016.

## 2. RENTAL AFFORDABILITY: BALANCING THE INTERESTS OF TENANTS AND LANDLORDS

*Referencing Q1: What issues arise from the way in which provisions for bonds in the Act currently balance the interests of tenants and landlords?*

- 2.1. In balancing the interests of tenants and landlords the review must also support the positive duty required of landlords under the *Equal Opportunity Act 2010*. As providers of accommodation and services, landlords and agents are considered duty holders with a positive duty to adapt policies, practices, and procedures to address discrimination before it occurs.<sup>3</sup> The following points are offered to the review with regard to bonds and the ways in which a bond also impacts the contractual relationship of tenants and landlords.
- 2.2. The evidence demonstrates that rental market regulations can have undesirable redistributive effects among different categories of tenants.<sup>4</sup> In redesigning regulations that seek to achieve equity, balance and transparency it is important therefore not to tilt the balance of tenant-landlord relations disproportionately in favour of either party.<sup>5</sup> One VMC RAC member suggested that, in the current private residential housing sector, there is a current imbalance in the interests of tenants and landlords that favours landlords. "Demand for housing stock to rent generally is the biggest issue. The landlords do not have any issues in keeping the rental properties tenanted. It is the community who are wanting to rent that have the concerns."
- 2.3. Public housing has traditionally catered for low income and special needs groups. However, a decline in funding over the past twenty years has meant that these groups are required to meet their housing needs in the private residential housing rental sector. Due to this shift the review must ensure that the revised Residential Tenancy legislation seeks to provide equity, balance and transparency in meeting the needs of providers of accommodation (landlords) and those seeking to access accommodation (tenants), including in setting the maximum amount permitted for bonds.
- 2.4. The review must also consider the potential of residential tenancy databases (RTB) to distort the power balance in the landlord-tenant relationship, and effectively undermine the intent of the residential tenancy legislation. Being listed on a database can seriously impact a tenant's ability to access rental accommodation. The evidence shows that tenants can also be fearful of asserting their rights under the RTA due to fear of being 'blacklisted' by their landlord or real estate agent.<sup>6</sup> The VMC was advised by a RAC member that "there is a percentage of unfairness because of real estate previous experience of leasing to some tenants from culturally and linguistically diverse (CALD) backgrounds."<sup>7</sup>
- 2.5. The Victorian Law Reform Commission (VLRC) examined the efficacy of legislation to regulate residential tenancy databases (RTDs), citing the problems that the legislation sought to address as follows:-
  - consumers not being aware they have been listed;

<sup>3</sup> *Equal Opportunity Act 2010*, Sect 4, "accommodation" includes:-

- (a) business premises;
- (b) a house or flat;
- (c) a hotel or motel;
- (d) a boarding house or hostel;
- (e) a caravan or caravan site;
- (f) a mobile home or mobile home site;
- (g) a camping site.

<sup>4</sup> The Organisation for Economic Cooperation and Development (OECD), 2011.

<sup>5</sup> Senate Economics References Committee, 2015.

<sup>6</sup> Research conducted by Mission Australia indicates that 'it is extremely difficult for a person to rent housing through a real estate agency once they are listed'. Mission Australia (2004). Mission Australia, cited in Victorian Law Reform Commission, Residential Tenancy Databases Report, Melbourne, 2006. Retrieved 12 April 2016:

[http://www.lawreform.vic.gov.au/sites/default/files/ResidentialTenancyDatabases\\_FinalReport.pdf](http://www.lawreform.vic.gov.au/sites/default/files/ResidentialTenancyDatabases_FinalReport.pdf)

<sup>7</sup> Hume RAC member, August 2015.

- limited opportunities for tenants to access, correct or update information concerning their rental history;
- substantial costs to tenants for querying information held on databases;
- tenants remaining listed for unacceptably long periods; and
- tenants being required to give wide consents regarding the use of databases.<sup>8</sup>

2.6. Despite amendments to the RTA to include protections related to RTDs (Part 10a) problems and difficulties for tenants persist. For example, the onus is on the tenant (Sect 439L) to have the database listing removed or amended. For many households from diverse communities this can be a step too far in terms of understanding their rights, or having the resources to follow through. In order to make the legislation more robust and provide greater protections for vulnerable groups, removing RTDs from the RTA and creating separate and specific legislation is required. The VMC suggests this could be accomplished under the broader goals of the *Fairer Safer Housing* policy.

2.7. In recognising that Victoria is a multicultural state with almost half (47%) of Victorians having been born overseas or having at least one parent born overseas,<sup>9</sup> the review must consider serious examination of the Victorian private residential housing rental sector in order to expose unfair practice. *Fairer Safer Housing* is critical to fostering strong, resilient and inclusive communities with sustainable social and economic outcomes. This requires consideration of the impacts of current practices that can disproportionately impact Victoria's diverse communities, including English language proficiency and access to information regarding Victoria's tenancy laws and regulations.

2.8. In balancing the rights and responsibilities of tenants and landlords it is incumbent upon the review to ensure the accessibility of appropriate and accurate information for tenants. Ensuring that tenants are well supported with information at the outset prepares them for successful tenancies. Similarly, maintaining regulations that hold landlords accountable for the accommodation they provide conveys a fair and transparent process. The VMC suggests three components that include checks and balances to reinforce the rights and responsibilities of both tenants and landlords. These are further outlined at 2.9; 2.10 and 2.11.

- Introducing compulsory *Tenant Information Packs*;
- Creating a *Landlord Registration* system (in preference to a Landlord Bond); and
- Initiating *Fair Housing Audits* for the private residential housing rental sector.

2.9. *Tenant Information Pack*: Introduce a duty for landlords to provide new tenants with a pack containing standardised key information on renting in the private rented sector. The pack would ensure that all tenants in privately rented homes receive the same information by providing clear information about private renting. Translated versions must be made available to ensure equity, including storyboards as appropriate.<sup>10</sup> The pack should include information on the tenancy, the property and landlord, the responsibilities of tenants and landlords, and where to go for further information and advice. As with inventories or condition reports, it should be signed by both the tenant and the landlord, with the onus on the landlord to supply the tenant with a pack.<sup>11</sup>

2.10. *Landlord Registration*: Placing a requirement on landlords to be registered would provide reassurance for tenants and further balance the interests of tenants and landlords. In

<sup>8</sup> Victorian Law Reform Commission, 2006.

<sup>9</sup> Australian Bureau of Statistics (ABS) Census of Population and Housing, 2011.

<sup>10</sup> Refer to the City of Moreland CALD COM storyboards and videos. Many subjects available but not yet on private residential tenancy. Available at <http://www.moreland.vic.gov.au/community-services/multicultural-services/caldcom.html>

<sup>11</sup> The Scottish Government Tenant Information Pack can be viewed at: <http://www.gov.scot/resource/0041/00413146.pdf>

Scotland, for example, there is a legal requirement for all private landlords to be registered. This regulation holds landlords to account in their positive duty to tenants and includes sanctions that seek to redress the balance of interest, such as:-

- disqualification for unregistered landlords (a court may disqualify a person convicted of not registering as a landlord from being registered for up to five years);
- penalties for a criminal conviction for acting as an unregistered landlord; and
- a duty on landlords to include the landlord registration number in advertisements.<sup>12</sup>

2.11. *Fair Housing Audits*: Under the broader *Fairer Safer Housing* review initiating a regulatory component that includes a requirement for regular ‘fair housing audits’ that measure discrimination, including racial discrimination, in an effort to promote genuine fair housing outcomes.<sup>13</sup> This could be similar to the requirement in the United States of America *Fair Housing Act* that seeks to uncover and provide the evidence base for discriminatory practices in housing markets. An independent body, such as the Australian Housing and Research Institute (AHURI), could be resourced to conduct regular audits.

2.12. **Condition Reports**: The VMC suggests that the current three day turn around can be challenging for diverse community members, especially those from non-English backgrounds. These reports are often unchanged from one tenancy to another with the obligation falling to the tenant, rather than the landlord, to update and check the validity of the report. Multicultural community members may need assistance with the process of reading and checking the details of the report, which takes time. A longer period should be facilitated to enable the report to be checked thoroughly.

2.13. Some prospective tenants from multicultural communities may need assistance to help them to understand the necessity of a condition report, and how it can protect them. Migrant households may come from countries where tenants are permitted to alter interiors, i.e. paint walls etc. Providing relevant information could be facilitated in the *Tenant Information Pack*, clearly setting out the requirement for condition reports, as well as the benefits to both tenants and landlord of a current and accurate report (with translations readily available).

2.14. **Maximum bond**: The VMC supports the current legislation in terms of the maximum bond payable: equivalent to one month’s rent. Anything more in the current housing environment would be onerous for disadvantaged and vulnerable groups who may already struggle to make a bond.

2.15. Reporting current trends, the Department of Health and Human Services (DHHS) Rental Report for the December Quarter 2015, advised that the median weekly rent was \$380 for Melbourne, and \$360 for Victoria.<sup>14</sup> Thus, section 40(2)(a) – permitting bond amounts in excess of one month’s rent where the rent is more than \$350pw - will also require updating. Refer to 4. Rent and other payments (p.9), for further discussion on this matter.

<sup>12</sup> The Scottish Government, 2009. See also The Scottish Government Landlord Registration website: <https://www.landlordregistrationscotland.gov.uk/Pages/Process.aspx?Command=ShowHomePage>

<sup>13</sup> United States Department of Housing and Urban Development, 2014.

<sup>14</sup> Sourced 14 April 2016: [http://www.dhs.vic.gov.au/\\_\\_data/assets/pdf\\_file/0005/963005/1-Rental-report-dec-qtr-2015.pdf](http://www.dhs.vic.gov.au/__data/assets/pdf_file/0005/963005/1-Rental-report-dec-qtr-2015.pdf)

## VMC RECOMMENDATIONS - BALANCING THE INTERESTS OF TENANTS AND LANDLORDS

### Recommendation 1

The VMC recommends that the review:

- i. *create separate and specific legislation to monitor residential tenancy databases for more robust protections and greater transparencies;*
- ii. *introduce a legal requirement for landlords to provide new tenants with a ‘Tenant Information Pack’, to be signed by tenants and landlord;*
- iii. *include condition reports within the Tenant Information Pack and increase the turnaround from three days to seven days to more equitably facilitate the process;*
- iv. *introduce a landlord registration requirement and process that places a condition on landlords to be registered to further balance the interests of tenants and landlords (in preference to landlord bonds);*
- v. *introduce a requirement for fair housing audits relative to the private residential housing rental sector to uncover and provide the evidence base for discriminatory practices; and*
- vi. *maintain the current maximum bond amount of four weeks rent, together with no bond increases during the period of the tenancy.*

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### 3. BONDS: ISSUES WITH CURRENT REGULATION AND BOND CLAIMS

*Referencing question 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)?*

- 3.1. As stated above at 2.9 the VMC would support a Landlord Registration system in preference to a Landlord Bond. A transparent registration system would provide greater reassurance to tenants that landlords will meet their obligations under a tenancy agreement. The registration system would also provide assurance that a landlord is reputable, and could moreover assist tenants by enabling comparisons between prospective landlords.
- 3.2. Creating a Landlord Register would bring about a more systematic approach to the administration of the private residential housing rental sector, and uphold the professionalism and reputation of the sector. It could also help to provide useful data on the scale of the sector, as well as play a critical role in informing future intelligence-led, targeted enforcement action on issues related to the revised RTA legislation. One RAC member reported to the VMC that “...because of their (CALD) background, agents and landlords take their requests and complaints lightly, and do not attend unless there is constant follow-up.”
- 3.3. Tenants may also rightly expect that landlords know the laws relating to private residential tenancies. A similar review in Scotland found that private individuals and couples (mum and dad investors), and those with only one property to let were most uncertain about the range of housing management issues.<sup>15</sup> A Landlord Registration scheme could therefore provide tenants with greater reassurance that landlords are being held to their legal duties. In addition, the fees associated with Landlord Registration could be used to cover ongoing administration costs of the register.

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<sup>15</sup> The Scottish Government, 2009.

3.4. A registration system can also therefore provide greater clarity and certainty for both parties, and help to place the contractual tenant/landlord relationship on a more equitable footing. Registering demonstrates to the tenant the landlord's commitment to uphold their positive duty. Open accountability in this manner would help to offset the reassurances the landlord gain in receiving bond monies from the tenant.

*Referencing question 4: How important is it to limit the amount a landlord can charge as a bond?*

3.5. The importance of limiting the amount a landlord can charge as a bond relates directly to matters of housing affordability and vulnerability to exploitation. As noted in the Issues Paper at 1.2.1 Implications for Renters, households with limited financial resources have relatively less choice in the open market when it comes to meeting their housing needs. Many migrant households are larger than the Australian average and, come from collective cultures where extended family members are accommodated.<sup>16</sup> For example, one RAC member advised that in Greater Bendigo and the north west the average household size (in CALD communities) is between five to eight people. Thus, similar to Aboriginal and Torres Strait Islander households, tenants from diverse backgrounds need rental properties capable of accommodating large family groups.

3.6. Another diverse group to consider is international students who come from all over the world to study in Melbourne. The Australian Government Department of Education and Training reports that there were 498,155 international students studying on a student visa in Australia in 2015, representing a 10% increase since 2014. The age range of international students in 2015 was between 20-24 years (43.0%), with 6% 35 years and over, and 3.7% under 18 years. These young people can be particularly vulnerable when they seek suitable accommodation and open to exploitation, particularly from landlords operating unregistered rooming houses.

3.7. The statistics demonstrate that these numbers are growing. International students in higher education increased by 9.7% between 2014 and 2015, while Vocational Education and Training (VET) increased by 13.7%, and Schools by 12.8%.<sup>17</sup> These students make a valuable contribution to retail, employment, housing and knowledge sectors in Victoria.<sup>18</sup>

3.8. A study commissioned by Universities Australia identified pockets of significant hardship in the higher education international student population, reporting that a substantial proportion of international students have very low incomes. This includes over a quarter of international undergraduates (26.6%), and a fifth of international postgraduate coursework students (20%) with incomes of less than \$10,000 per annum.<sup>19</sup> All international students studying in Melbourne can be vulnerable to insecurity or exploitation in seeking appropriate, safe and secure accommodation for the duration of their studies.<sup>20</sup>

3.9. Maintaining affordability, by limiting the amount a landlord can charge as a bond, is important to the housing needs of all of these groups. This means that it is vitally important to. Certainly maintaining the current maximum of four weeks rent is supported by the VMC to facilitate the housing needs of low income and disadvantaged households in Victoria.

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<sup>16</sup> The average household size in Australia was 2.6 people per household in 2011 and is projected to be between 2.5 and 2.6 people per household in 2036. Family households can contain more than one family. In 2011, 2.3% of all family households in Australia were multiple family households. Australian Bureau of Statistics (ABS), Household and Family Projections, Australia, 2011 to 2036, Cat. 3236.0. Retrieved 18 April 2016:

<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/3236.0Main%20Features42011%20to%202036?opendocument&tabname=Summary&prodno=3236.0&issue=2011%20to%202036&num=&view=>

<sup>17</sup> Australian Government Department of Education and Training, 2016.

<sup>18</sup> City of Melbourne, 2013.

<sup>19</sup> Universities Australia, 2013.

<sup>20</sup> City of Melbourne, 2013.

3.10. Currently, the median weekly rent in Melbourne is \$380, and across the state of Victoria \$360.<sup>21</sup> This equates to a median bond of \$1,520 for Melbourne, and \$1,440 across Victoria; sizeable amounts for single income family households and low income households generally to find in order to secure a tenancy.

*Referencing question 10: What scope is there for the Act to:*

- *specify a timeframe for lodging completed bond claim forms?*
- *allow immediate repayment to a tenant of any bond amount that is not contested?*

3.11. A specified timeframe and accessibility to an immediate return of the bond is important for multicultural households. The evidence provided to the VMC by its RAC members confirms that for many diverse communities, particularly new arrivals, they are “generally from lower socioeconomic backgrounds with unstable employment”, making them very dependent on an early return of bond monies. In any event, a time lag between paying bond in advance to secure a new rental property, and awaiting the return of the previous bond can mean further hardship until that bond is returned.

3.12. Once the landlord and tenant have agreed on the amount of the bond to refund, and to whom, the completed bond form should be lodged without delay following the final inspection to expedite return of the bond monies. Consumer Affairs Victoria (CAV) recommends that the form should be sent to the Residential Tenancies Bond Authority (RTBA) as soon as possible after the tenancy ends.<sup>22</sup>

3.13. The Tenants Union Victoria (TUV) advises that, when the RTBA receives a correctly completed ‘Bond Claim’ form, it repays the bond directly into the nominated bank account.<sup>23</sup> The RTBA confirms that 99% of all bond forms received by midday are processed on the same day, and further that 87% of repayments were issued as a direct credit to the payee’s bank account on the same day as the repayment was approved (the balance paid by cheque or to a forwarding agent).<sup>24</sup> This suggests that any delay occurs prior to lodgement of the bond claim form. There is no reasonable reason why agents cannot lodge the bond claim form on a weekly basis, especially considering accessibility of RTBA online processing, which provides easy access to the RTBA register, including form generation.<sup>25</sup>

3.14. Completed bond forms could be lodged within seven days. The RTBA reported that it repaid about 3,915 bonds a week on average in 2014-2015.<sup>26</sup> With an approximate 13,903 real estate agents in Victoria this equates to less than one bond claim form per agent in a week.<sup>27</sup> While the VMC appreciates that some real estate agents are larger and busier than others, it would still seem reasonable to suggest that seven days is not onerous. Final inspections must be carried out as soon as a property is vacated to ensure that the property is inspected as it was when vacated. Likewise, signing the bond claim form by both parties can also be facilitated within seven days.

<sup>21</sup> Department of Human Services, *Rental Report statistics – December quarter 2015*. Retrieved 18 April 2016:

<http://www.dhs.vic.gov.au/about-the-department/documents-and-resources/research,-data-and-statistics/current-rental-report>

<sup>22</sup> Releasing or claiming the bond, landlords and owners. Accessed 18 April 2016: <https://www.consumer.vic.gov.au/housing-and-accommodation/renting/ending-a-lease-or-residency/releasing-or-claiming-the-bond-landlords-and-owners>

<sup>23</sup> Tenant Help, Agreeing on the return of the bond. Accessed 18 April 2016:

<http://www.tenanthelp.com.au/vic/Agreeingonthereturnofthebond/>

<sup>24</sup> Residential Tenancies Bond Authority, 2015.

<sup>25</sup> *Ibid*

<sup>26</sup> *Ibid*

<sup>27</sup> Real Estate Institute of Australia, Number of Agents, Victoria. Retrieved 18 April 2016: <https://reia.asn.au/agents/number-of-agents/>

## VMC RECOMMENDATIONS - ISSUES WITH CURRENT REGULATION AND BOND CLAIMS

### Recommendation 2

The VMC recommends that the review:

- i. *maintain the current maximum bond at four weeks rent;*
- ii. *stipulate a seven day timeframe for lodging completed bond claim forms; and*
- iii. *allow for immediate repayment to a tenant of any bond amount that is uncontested.*

## 4. RENT AND OTHER PAYMENTS

Referencing questions 14 & 17:

- *What issues arise from the way in which provisions for rent and other charges in the Act balance the interests of tenants and landlords?*
- *Why might it be important to limit how much rent can be charged in advance?*

4.1. **Rent in Advance:** This point addresses the issue regarding rent in advance being allowed to exceed one month's rent and the \$350 exception (Sect.40). The VMC advocates for an increase to the amount, where weekly rents exceeds \$350. This amount should be raised to take account of contemporary private residential housing rental sector conditions, as well as potential rent increases over the next ten years in Victoria. This will ensure that the amount remains true to the intent of the RTA, namely that this exception was intended to apply to high value properties. The VMC suggests an amount of at least \$600 would realign the measure sufficiently to be more in tune with the original intent of the RTA.

4.2. A recalibration of this measure for high value property is required. As noted at point 3.10 above, the \$350 amount has already been superseded by the median rent across Victoria, which is currently \$360. The requirement, to pay rent one month in advance, can be onerous for people with low incomes, especially new arrivals, asylum seekers and refugees. These groups are particularly vulnerable once they move into the private residential housing rental market.<sup>28</sup> Increasing this amount would result in greater opportunities for these groups to pay rent at lesser intervals than monthly, such as weekly or fortnightly, making rent payment more manageable and increasing the likelihood of a successful tenancy.

4.3. **Rent increases:** The VMC supports the rationale behind the need for rent increases, namely that "rent should be fair, and not excessive or extortionate so as to cause hardship to tenants and undermine security of tenure." However, current regulation places a responsibility on the tenant to challenge any rent increase through the CAV. Following assessment by CAV the tenant is then required to seek a ruling through the Victorian Civil and Administrative Tribunal (VCAT), a difficult process for anyone from a non-English speaking background (NESB).

4.4. The voluntary nature of the requirement for landlords to charge a 'fair' rent in the private residential housing rental sector gives some cause for concern however. Seeking a better balance of the rights and responsibilities of tenants and landlords might entail a requirement that places a limit or cap on the amount by which rents can be increased, such as

<sup>28</sup> These vulnerabilities were outlined in the VMC submission to the Consultation Paper *Laying the Groundwork*, August 2015.



commensurate with median mortgage rates or in line with the rate of inflation. Such a move would provide protections for tenants in a way that does not place the onus on them to act.

- 4.5. The VMC identifies the frequency of permitted rent increases as potentially burdensome for migrant families, especially new arrivals, asylum seekers and refugees. The Australian Government Senate Economics References Committee found that the ability of landlords to raise rents and to terminate a tenancy works against the interests of low-income earners in the rental market.<sup>29</sup>
- 4.6. Less frequent rental increases have the potential to benefit the broader economy by creating greater certainty for tenants and landlords. Raising rents less frequently reduces the risk of failed tenancy, and provides for a more sustainable longer-term housing option.<sup>30</sup> Humanitarian entrants and other new arrivals who experience social and economic disadvantage also need access to appropriate services, so they can access support and sustain their tenancy.<sup>31</sup> These groups also tend to build a trust based relationship with service providers. It is important therefore for them to be able to remain in accommodation once settled, and not to have to seek alternative accommodation due to regular increases in rent.
- 4.7. The VMC recommends that the six month interval, which could entail two rent increases in a period of 12 months, be increased to 12 months. The six month interval was set at a time when the private residential housing rental sector operated in a more transitional phase, and prior to moving into home ownership. Further, it was also set at a time when rents were considerably lower than they are today, and the resulting rent increase amounts were also considerably less. The sixty days' notice of a rent increase is still considered reasonable however.

*Referencing question 20: How well is industry self-regulation (such as the REIV practitioner guidelines) addressing rental auctions, and is there a need for any regulation?*

- 4.8. **Rental Bidding and Auctions:** The private residential housing rental sector has evolved, and is now very different in composition to twenty years ago when the RTA was drafted. It houses students and other young people, migrants and refugees arriving in Australia, workers and their families and older Australians.<sup>32</sup>
- 4.9. The Refugee Council of Australia (RCOA) reported that finding affordable, appropriate and sustainable housing is consistently raised as one of the primary issues affecting humanitarian entrants in Australia.<sup>33</sup> They also advise that significant increases in rental rates in recent times, have caused most accommodation in many traditional settlement areas to be unaffordable to low income earners.<sup>34</sup>
- 4.10. An issue raised consistently by VMC RAC members is that “renters from CALD backgrounds, especially asylum seekers and refugees, do not have the references and are usually low priority”. As a result the VMC is advised also that “when there are other people interested in renting the property, the landlord compares the options and the CALD applicant usually is excluded from the shortlist.”
- 4.11. Rental bidding and auctions are also problematic in terms of seeking to ensure equity of access to housing as a key market resource, which mediates access to other social goods such

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<sup>29</sup> Senate Economics References Committee, 2015.

<sup>30</sup> Ibid

<sup>31</sup> Ibid

<sup>32</sup> Wulff, Reynolds, Dharmalingam, Hulse, & Yates, 2011.

<sup>33</sup> Refugee Council of Australia, 2014.

<sup>34</sup> Ibid

as employment opportunities, schools, and liveable neighbourhoods, essential to Victoria's productivity and social sustainability.<sup>35</sup>

- 4.12. The VMC is of the view that rental bidding and auctions therefore have the potential to severely disadvantage multicultural communities in seeking to meet their housing needs in the competitive environment of bidding or auctions. For new arrivals and even those more settled multicultural communities, bidding and auctions, pit them against more experienced players and are likely to impact on matters of equity, balance and transparency that the review is seeking to achieve.
- 4.13. In this regard the VMC supports the view of the TUV, that the review should seek to prohibit rental bidding and auctions to ensure applicants can rely on the advertised price when seeking a rental property.

## **VMC RECOMMENDATIONS - ISSUES WITH CURRENT REGULATION AND BOND CLAIMS**

### **Recommendation 3**

The VMC recommends that the review:

- i. *raise the amount referred to in Section 40(2)(a) from \$350 in order to also simultaneously raise the bar in terms of the requirement to pay rent monthly;*
- ii. *introduce a rent control measure whereby landlords can increase the amount of rent payable within a designated range (i.e. such as linking to the consumer price index);*
- iii. *increase the interval at Sect.44(4A) regarding the rent increase interval from 6 months to 12 months; and*
- iv. *prohibit rental bidding and auctions to ensure an even playing field where applicants can rely on the advertised price when seeking a rental property.*

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<sup>35</sup> MacDonald, Nelson, Galster, Paradies, Dunn, & Duffy-Jones, 2016.

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