

Portraits of a Pandemic

Dear Landlord, we need to talk about a rent reduction

18 August 2020

The Victorian Government introduced special measures to protect tenants who lost income due to the COVID-19 pandemic, effective from March 29, for six months.

Premier Daniel Andrews announced the measures with an expectation that landlords and tenants should have 'good faith' negotiations to benefit people experiencing rental stress due to the pandemic. The law ensures that tenants are protected from evictions if they fall behind on their rent and rental increases are banned. Tenants in dispute with their landlords over obtaining a rent reduction due to financial hardship from the pandemic are able to turn to mediation by accessing a new Residential Tenancy Dispute Resolution Scheme.

Renters who register their agreements with Consumer Affairs Victoria and obtain a reduction are also able to apply for up to \$2000 in a rent relief grant, administered through the Department of Health and Human Services. The rental assistance fund is worth \$80 million. Landlords who provide rent relief are also eligible for a 25% discount on their land tax and deferral of any remaining tax until March 2021.

Under the measures, tenants should ask their agent or landlord for a rent reduction. If they are unsuccessful in this negotiation, they can seek assistance from Consumer Affairs Victoria. If this fails, Consumer Affairs Victoria is empowered to refer them to mediators. If the mediation is not successful, Consumer Affairs Victoria can refer the tenant-landlord dispute to the formal setting of the Victorian Civil and Administrative Tribunal.

Tenants Victoria surveyed 'on the ground' experiences

"It's the worst rental nightmare I've had to endure in 40 years of renting."

Tenants Victoria wanted to understand tenants' experiences in seeking rent reduction. It surveyed tenants via a questionnaire from 5 June until 27 July 2020, which was publicised through social media and other means. Some 370 tenants responded.

They reported that negotiating to reduce their rent was difficult and stressful, particularly against the backdrop of uncertainty over their work and finances. Whether in single or larger households, loss of income was significant.

Negotiated reductions were hard won, and some tenants felt they were forced to settle for deferral of rent signifying a future debt. Few negotiations resulted in six-month reductions — most were for three months or less. Notably, renters who participated in the survey reported that they expect their homes to be at risk as soon as the protection against eviction for arrears related to COVID-19 ended.

"As soon as restrictions on evictions are lifted, we are going to get kicked out. I know that at same time, any money I was receiving from the government will be reduced. I am worried

that I'm one of thousands of Australians that are in the same situation. Are we all going to become homeless in September? It is a huge stress, and the lack of uncertainty is the biggest impact on my personal health at the moment, despite the threat of the Coronavirus."

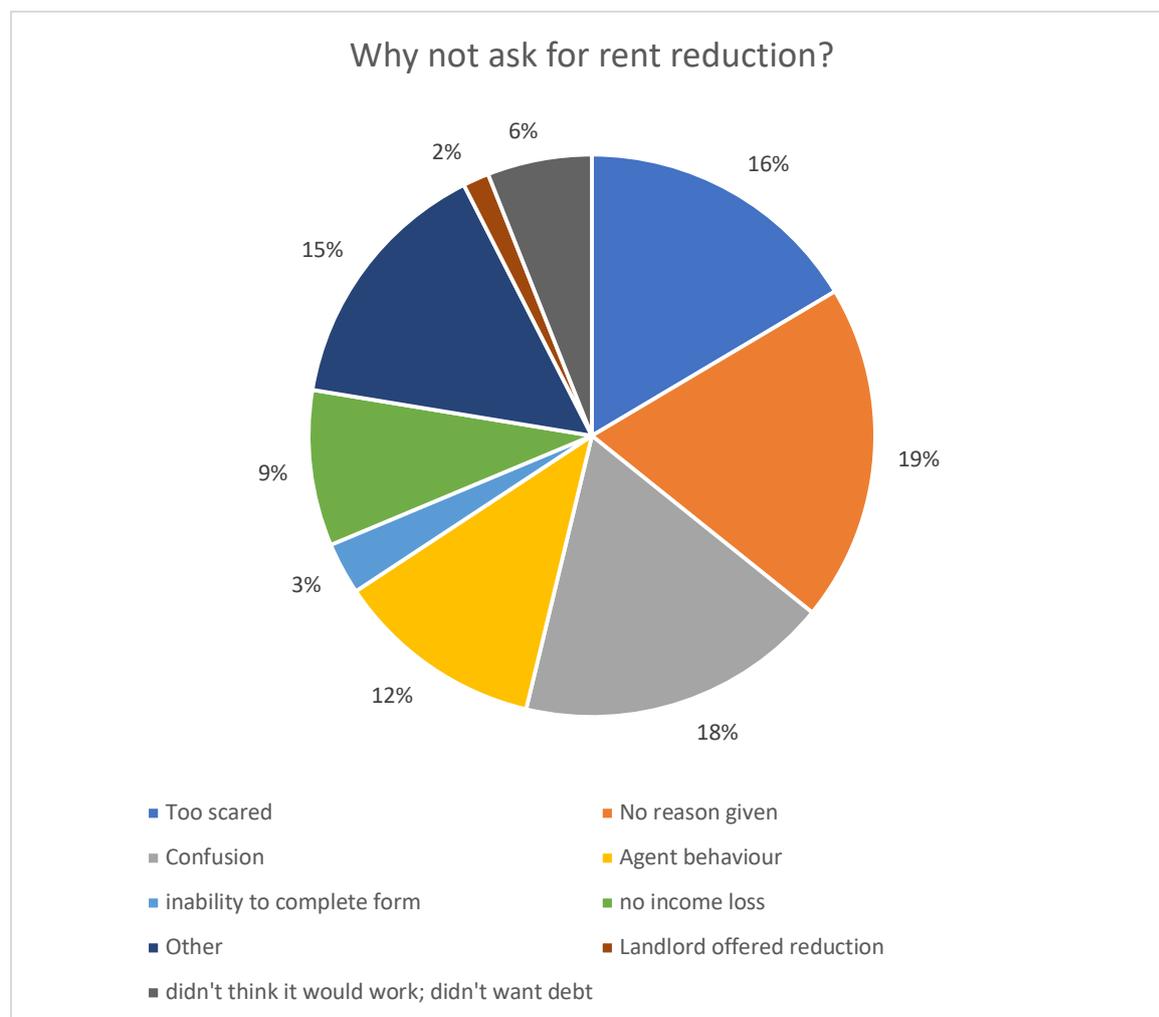
Key insights

One in five did not ask for a rent reduction

Almost one in five (18%) of those completing the survey had not asked their landlord or agent for a rent reduction.

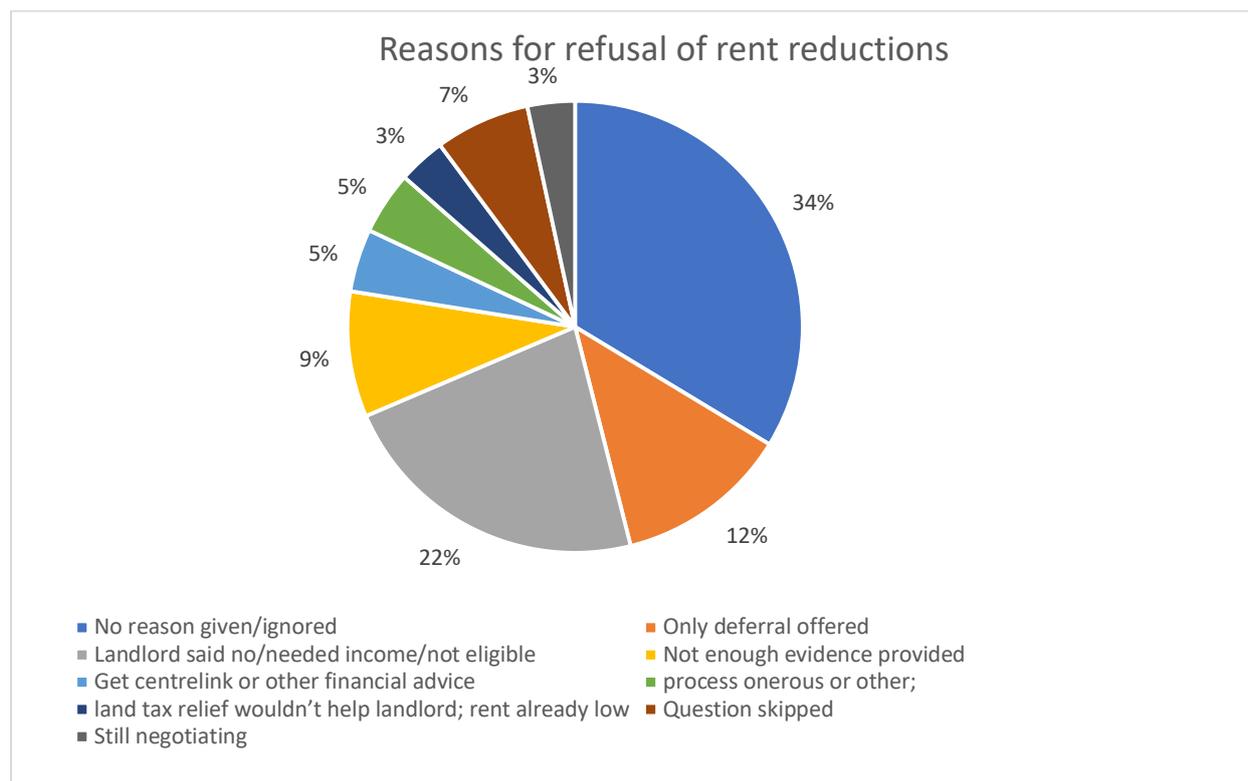
Just 2% of this subset – a fortunate few – said they had a proactive landlord who initiated a reduction without the renter having to ask after the Victorian law was passed in April 2020.

The main reasons given for not asking for a reduction were confusion (19%), being too 'scared' to ask (16%), and discouragement due to the agent's behaviour (12%).



Reasons given for refusing a rent reduction

Landlords gave tenants a wide range of reasons for the refusal to agree to a rent reduction. Some 34% of tenants were ignored, or no reason was given at all, while 22% said they were told their landlord needed the income or they were not eligible for a rent reduction — usually without any information on what eligibility would entail. A few agents provided financial advice, while in 12% of cases the only help offered was the deferral of rent, hence incurring a future debt they had to pay back, and not a rent reduction as sought.



One tenant reported how lucky they felt amid the pandemic:

“Our situation was handled privately and was at the discretion of the landlord, who’s been great.”

Many others indicated, however, they were not so fortunate.

“They made an offer that required me to pay MORE per month (from May 2020) to make up the shortfall in rent. Since then I have been bombarded by overdue emails/texts.”

“I didn't fill out the form because I explained I was not asking for a deferral but a reduction and provided them with an amount I wished the rent to be reduced by and a completed Temporary Rent Reduction Agreement Form (from Consumer Affairs website). The response was to resend the rent deferral form, ignore my proposed rent reduction and say any negotiation could takes months because there was such a backlog.”

“I received a very nasty email telling me we would be evicted and stating the laws of renting. Also was threatened with a bad reference upon vacating.”

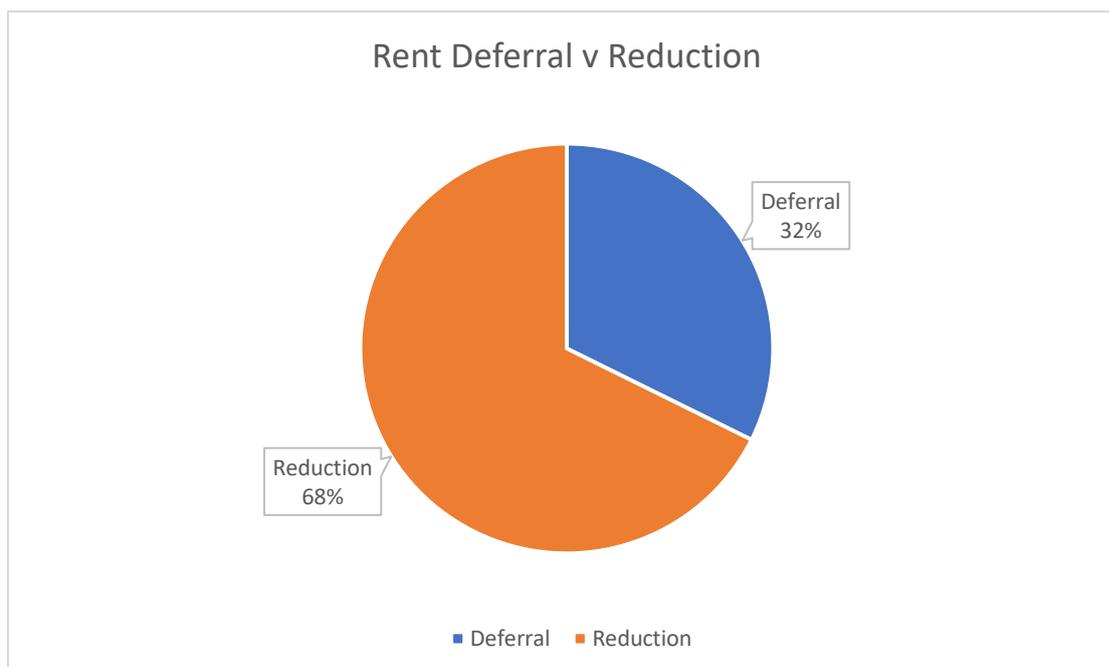
“Our agent said we’re not qualified for it. That's it. I explained even if my partner still works full time, I lost my half shift which means our income decreased 75%. more than 20% so I asked for deduction around 20~30% but they just refused. and not even replying back”

“The next day she replied to my email and gave us a 90-day Notice to Vacate. The Landlord said no rent reduction. My rent is still paid up to date.”

Renters’ experiences of seeking a reduction

“I lost my job due to Covid-19, my roommate lost income. We both work/worked in entertainment, which looks like it may be a while before it comes back, so we could both be out of work. As soon as this happened to us in late March we contacted our agent, who has since been unable to get hold of the landlord to arrange a rent reduction, so we are paying what we can afford, but we are gathering the difference in debt to the agent, which is worrying me a lot as I have no idea when I can work again, I am trying to find work but getting nothing. We just need help!”

Of those who negotiated with their agent, only 15% reported that they agreed to the agent’s offer, but only 8% reported they went on to formally sign a reduced rent agreement. While only 16% of total survey respondents reported details of their negotiations in the survey, what was reported shows a wide variation in the period of reduced rent — from one to six months — and the percentage of rental reduction — from 6% to 50%. It is clear from this limited information that many tenants will need to again approach their agent or landlord for further rent relief. We will continue to seek information from tenants on this process.



“It took government incentives on land tax reductions for our landlord to even consider rental reduction. It was only after we paid full rent for two months, before announcements made by the government forced her hand to negotiate a reduction with us. Her original offer was a \$200 reduction for 5 months to be paid back in September. Our rent was \$3300 per month. So it would be a \$50 per month reduction for each housemate. We rejected that offer. It took a month, but we negotiated \$1000 reduction per month, with no repayment, and to be renegotiated in September. Our landlord has already threatened us multiple times with eviction when restrictions on evictions are raised.”

“I think the only reason we got the reduction is because we have a good relationship with the landlord himself. Although we have a real estate agent, we are often in communication with our landlord and he sometimes comes for inspections or completes maintenance around the house himself. I don't think we would have got the reduction if it wasn't for the relationship we have. The initial letters and emails we got from the real estate weren't terribly empathetic!”

Real estate agents and rent reductions

A strong sentiment that emerged in the survey was a frustration with conduct of real estate agents in interactions with renters who sought reductions. A lack of responsiveness to renter’s queries and delays, excessive demands for personal information and suggestions on how renters can better manage their financial situations all emerged as themes.

“Very unhappy with the person in charge of my property as she fails to respond to phone calls, text messages & fails to provide answers to direct questions.”

“The reduction was for 50% for two months which was a great offer from the landlord, but Centrelink took 3 months to process my claim and the agent just wasn't taking that as an answer, and I had no guarantee that my circumstances would be communicated to the landlord, I believe that they weren't.”

“I have affected by the lack of cooperation from the agent. Also, gave me notice to vacate the property on 9th April. I have complied. I did not get any house in Melbourne after applying many. I had to relocate in Adelaide with my belongings. I had to leave my work in Melbourne as well. I am in process of apply at VCAT.”

“We have been suffering mental health problems exacerbated by COVID-19 which has made negotiating with the agents incredibly difficult. I believe this is a big reason why they were able to take advantage of us. I intend to contact Tenants Victoria/Consumer Affairs to see whether we can renegotiate a proper rent reduction.”

“(The agent) said it would have to be referred to the landlord for consideration. Unfortunately, this referral was not made until I made several more applications over several weeks!”

“The agent has been unhelpful since COVID. Suggesting I access my superannuation - asking me when will I move out if I cannot afford the property anymore. They wanted me to sign an agreement to defer my rental payment which would put me in a worse position. This has been a stressful and ongoing situation.”

Conclusion

During the pandemic, Victoria has legislated a strong framework for tenants and landlord to come to fair and reasonable agreements for rent reductions. Tenants Victoria’s survey suggests the implementation phase remains challenging for many renters facing hardship with barriers, reinforced by longstanding power imbalances between landlord and tenants, to taking up the rights afforded to them under the emergency law.

The role of some real estate agents in blocking good faith negotiations is troubling and requires further investigation – and remedial action.