

'Til debt do us part: a fair solution to prevent Covid evictions

better
renting

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Better Renting is a community of
renters working together for stable,
affordable, and healthy homes.



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Executive summary

As eviction moratoriums are lifted across Australia, hundreds of thousands of renters could lose their homes in a wave of 'Covid evictions'.

Covid-19 caused a very uneven recession. Low-income households and people in insecure work faced worse impacts than others. In addition, they had less financial resilience to begin with. Many of these people rent their homes.

Although governments introduced some renter protections, they were generally non-interventionist. In particular, they did not take adequate steps to protect renters from rental debt. Most landlords continued to demand full rent payments, pushing renters into debt. We estimate this is between 324,000 and 973,000 renters.

To help us understand the dynamics of rental debt, we propose three archetypes. The renters at risk of losing their homes are renters with "debt at the door". We also identify renters who have avoided rental arrears by accruing debt elsewhere, those with "debt in the mailbox". Finally, some renters have dodged debt so far, using up their financial reserves. With these reserves depleted, these renters now face "debt in the wings".

Governments have a responsibility to support indebted renters to stay in their homes. To achieve this, governments should cancel all rental debt. They can do this by buying debt from landlords at a reduced rate and then declining to claim that debt from renters. This is the simplest means of preventing Covid evictions, and a needed response to an economic crisis that has put so much pressure on renting households, even as they made sacrifices in the interest of public health.

Government choices will determine how Australia emerges from this crisis. We could have a long-tail of suffering, where marginalised Australians end up scarred, their lives thrown into turmoil. Or governments could take responsibility to guide us all safely through this crisis, protecting household well being just as they protected us from the health risks of the virus itself.

1. Introduction

“We owe them three and half thousand dollars and now we need a reference from them to find a new place to live.”

In response to Covid-19, the National Cabinet committed to eviction moratoriums around March 2020. This meant that renters might accrue Covid-19 related rental debt, but they could not be evicted for this debt. Around September 2020, these moratoriums were extended. However, with most moratoriums due to expire early in 2021, renters may be forced to lose their homes due to rental debt arising from this crisis. Ending eviction moratoriums without a strategy to deal with rental debt is a plan for disaster. This report aims to prompt work to develop such a strategy.

Section 2 of this report examines the origins of this potential crisis and aims to estimate the scale of the problem to understand how many renters may be affected and what it may mean for them. In Section 3, we develop a taxonomy for understanding the different circumstances for at-risk renters. Finally, Sections 5 and 6 propose a policy direction to address this problem. Quotations used in this report were received from renters through Better Renting surveys and interviews.

2. The origins of the debt crisis

2.1 Renters have been hit harder by the impacts of Covid-19

Australians who rent their homes are facing debt because of the disastrous economic impacts of Covid-19 – impacts that have affected renters more than other groups.

As the global epidemic forced communities around the world into lockdown, economic activity in Australia ground to a halt and unemployment spiked. With retail, hospitality and the arts and recreation industries especially affected¹, day-to-day commercial life was disrupted. Up to a million Australians were suddenly pushed into unemployment² as Australia entered its worst economic downturn since the Great Depression³. Lockdowns interrupted normal life for virtually all Australians. But the economic impacts were not equally distributed, ushering in a “very uneven recession”.⁴

Renters were already worse off before the pandemic, and Covid-19 hit this group harder. Prior to the pandemic, renters were more likely to be in insecure employment, with lower household incomes⁵, and less financial resilience¹. Compounding this, hard-hit industries such as retail and hospitality had an above-average number of

renters amongst their employees.¹ Survey data indicate that around two in five renters faced a loss of income due to Covid-19⁶, and one in four struggled with rent payments in the early stages of lockdown⁷. In contrast, less than 20% of home-owners faced such struggles.⁷ The outcome of this is that the heaviest burden of the pandemic fell on those with the least capacity to bear it.

Despite their worse financial circumstances, renters could have been supported to weather the economic impacts of Covid-19. However, although most Australian jurisdictions took steps to prevent some evictions, renters were left at risk of mounting debt and potential future homelessness.

2.2 Governments left renters to fend for themselves

"I was racking up debts because I couldn't pay all the bills. I have had to sell furniture to survive. Now I don't see my friends so much anymore. I can't remember the last time I went out to eat."

Through the National Cabinet, Australia's governments acted to protect renters. However, measures focused on limiting evictions for rental debt while leaving renters liable for rental payments and at risk of accruing debt. This is consistent with a trend of government's being unwilling to intervene in the private rental sector in the interests of renters. As a consequence, renters have been left exposed to the economic impacts of Covid-19 through increased rental debt.

The government response to support renters through the Covid-19 crisis focused on preventing evictions for related rental debt. Following a commitment from the National Cabinet in March 2020, every sub-national government other than the Northern Territory introduced some form of eviction moratorium. Although evictions still occurred, these moratoriums supported the public health response by enabling renters to remain in their homes in cases where landlords may otherwise have commenced eviction proceedings for rental debt.

However, no government took meaningful measures to reduce rental costs — the single greatest expense for most rental households.⁸ In the best case scenarios, highly-motivated renters in some states could secure a binding rent reduction via a tribunal and obtain a rental relief grant to go toward their (reduced) rental expenses. But for most renters these outcomes were either unavailable or unattainable: robust sources suggest that less than 8% of renters obtained a rent reduction.^{6,9} Thus, while moratoria may have prevented evictions, renters struggled to continue paying pre-Covid rents on reduced incomes. Unsurprisingly, rental debt began to grow.

“The real estate agent tried to remind us that it's hard for landlords to lose money when they have done nothing wrong. But I haven't done anything wrong either. Why is it only the landlords that get this consideration?”

This lack of meaningful action reflects a recent tendency for Australian governments to ignore their housing-related responsibilities. Instead, each of Australia's six million plus private renters is subject to the whims of their landlord. While regulation does exist, it falls short of the standard in many other countries^{10,11}, with tenancy legislation “heavily weighted” towards the interests of investors¹². Australian governments could have recognised this and acted early in the pandemic to suspend rents¹³ or reduce rental expenses to a “hibernation mode” that would nonetheless allow landlords to cover their costs¹⁴. Instead, the Prime Minister merely called on landlords to “do the right thing”.¹⁵ At a time when governments were ready to re-write industrial awards and ban social gatherings, *laissez-faire* remained *de rigueur* for the private rental sector.

Those affected by the health impacts of Covid-19 are protected by our public health system. They face no medical debt arising from their misfortune. But those renters affected by the economic impacts have been left largely on their own. This government passivity has enabled property investors to push renters into debt. In the next section of this report, we estimate how many renters.

2.3 A million renters are at risk of losing their homes

“They told me there are plenty of jobs available. They told me to pay back my arrears.”

Queensland has already ended its eviction moratorium, and moratoriums in other states will be ending from early 2021. This will mean that landlords can begin evicting renters for rental debt arising from Covid-19. But how many renters will this affect? From our research, **we estimate that 324,000 to 973,000 renters could be exposed to Covid evictions.** Rental debt is a significant emerging threat to housing security.

To estimate the number of renters facing debt we drew on surveys of renters and on other sources. The unprecedented shock of the pandemic has prompted a significant amount of research and scholarship, generating many data sources relevant to our question. Drawing on survey data accounting for nearly 20,000 renters, we estimate a

lower bound of around 324,000 people bearing rental debt, with an upper bound of 973,000. Table 1 breaks down these figures for each state and territory.

State/territory	Persons in rental households ('000s)	Low-end estimate (5%) ('000s)	High-end estimate (15%) ('000s)
New South Wales	2,115	106	317
Victoria	1,676	84	251
Queensland	1,461	73	219
Western Australia	595	30	89
South Australia	372	19	56
Australian Capital Territory	105	5	16
Tasmania	104	5	16
Northern Territory	56	3	8
Total	6,485	324	973

Table 1. Estimated persons exposed to rental debt by state/territory. Authors' own calculations based on ABS 4130.0.¹⁶

Our estimate draws on a number of sources to calculate a range for how many renters may be in debt and at risk of eviction as moratoriums end.

- Better Renting surveyed almost 1000 renters in May to June.¹⁷ **4.5% of all renters received an offer of rent deferral (ie, rental debt) from their landlord.** A further 20% of renters who lost income and asked for a rent reduction received no useful support. Renters in this group may also have been pushed into rental debt, although many would have avoided debt by making sacrifices in other areas.
- Researchers from the ANU Centre for Social Research and methods polled over 3,000 people between April and May 2020, including almost 800 renters.⁷ They found that around **one in four (26.9%) renters had not been able to pay their rent on time.** This 26.9% figure is likely beyond the upper limit on potential rental debt: many renters may have missed only one payment and subsequently paid back debt using savings or superannuation.
- An AHURI report released in October 2020 reports on a survey of 15,000 renters.⁶ The survey, conducted during July and August 2020, found that “just under 30 per cent” of tenant households had requested or planned to request a rent alteration. Of these, 17% received a deferment (ie, rental debt), and 30%

received no rent alteration. **This suggests around 5% of all renters with explicit rent deferrals and a further 9% who were worried enough to seek a rent reduction but whose landlords did not assist them.**

- ABC News reported on data accessed by University of New South Wales researchers reviewing registered rental negotiation outcomes. **Of 546 agreements across Victoria, NSW, and Queensland, about 22% were rent deferrals.**¹⁸ These agreements came about through regulated processes and may not be representative of the experience of renters more broadly.
- A snapshot released in September by the Consumer Policy Research Centre found that **7% of renters had missed housing payments.**¹⁹
- The Reserve Bank of Australia reported on data from property management platform MRI. They suggest that around 14% of tenants had received some relief, with about half of that being in the form of deferrals, although they note that this is an upper bound.⁹ **This suggests up to 7% of rental households with negotiated rental debt.**

These figures are summarised in Table 2 below.

	Finding		Sample size	Analysis period
Better Renting	Negotiated rent deferral	4.5%	967	April - July
ANU	Missed rental payment	26.9%	792	April - June
AHURI	Negotiated rent deferral	5%	15,000	July - August
UNSW	Negotiated rent deferral	22%	546	March - July
CPRC	Missed rental payment	7%	223	September
RBA/MRI	Negotiated rent deferral	7%	"One fifth of all residential tenancy agreements in Australia" ⁹	March - August

Table 2. Research reports focusing on renters missing rent payments or receiving rent deferral.

These sources allow us to estimate a range for how many renters may currently be in rental debt. Firstly, we can estimate a lower bound using negotiated rent deferral. A number of sources point to around one in twenty renters having a negotiated rent deferral. **We thus estimate 5% as our lower bound figure for rental households with**

debt. As these deferrals come due or renters are unable to keep up with repayments, this debt may become a grounds for eviction.

In addition, we know that many rental households were in dire financial straits but did not receive any rent relief. Some of these renters would have then managed to continue paying full rent. For others, this would have become a *de facto* rent deferral, with rental debt continuing to accrue until the point in time where landlords can initiate eviction proceedings. Very many renters lost income and did not receive rent reductions, and some of this group would have then been unable to keep up with their rent payments. **We estimate this is a further 10% of renters on top of those who received explicit rent deferrals, establishing an upper bound of 15% for the total number of rental households with rental debt.**

In this section of the report we have sought to review data published since the beginning of the pandemic to estimate how many renters may currently be bearing rental debt and at risk of Covid evictions. Drawing upon a number of sources, we estimate that 5-15% of renters have rental debt from either missed rental payments or a negotiated rent deferral. This equates to between 324,000 and 973,000 people. These are people who could lose their current home if they remain in rental debt and landlords begin issuing termination notices as moratoriums are lifted.

2.4 Debt in the dark

“They offered us a debt. That was it.”

Another finding from our research is that there is inadequate government monitoring of rental debt. Generally, governments regulate essential services and create frameworks to mitigate debt and avoid loss of the service. With regard to housing in the private rental sector, this approach is not taken. Instead, the debt is treated as a personal matter and there is little transparency. This makes it hard to assess the full scope of the problem, and the lack of regulation increases the risks from this sort of debt.

Companies providing essential services, such as energy retailers, are comparatively well-regulated, and these models give an indication of how debt could be better tracked and handled. For example, in response to Covid-19, the Australian Energy Regulator (AER) called on retailers to voluntarily report on the incidence of debt for residential energy users.²⁰ The Reserve Bank of Australia (RBA) publishes data from financial institutions on a monthly and quarterly basis.²¹ The RBA’s reporting includes the total value of credit debt and the value of balances being charged interest. This

work by the AER and the RBA contributes to improved transparency and better policy planning.

To address the lack of information, state and territory governments have a responsibility to track data on the private rental sector. This should include the processing of bond submissions and refunds, the nature of cases reaching tribunals, the quantity and type of lease terminations, and the quantum of rental debt. Such data are readily available and greater stringency in creating and maintaining data sets would dramatically improve transparency in the rental sector. This would provide governments and community organisations with clearer insights and would facilitate better policy development.

3. The faces of debt

While many renters have been harmed economically by Covid-19, the effects have played out in different ways. From our own survey results, our outreach with renters, and our broader research and sector engagement, we suggest there are three different classes of most-affected renters. These classes are:

- **Debt in the wings.** Renters who are on the verge of debt, and who have made significant personal sacrifice to avoid debt up to now.
- **Debt in the mailbox.** Renters who have avoided rental debt by accruing other debt, such as utility debt. While these renters experience debt, their debt is regulated and does not present an immediate risk of eviction and homelessness.
- **Debt at the door.** These renters are in rental arrears and in debt to their landlord. This is a debt subject to little regulation or government intervention, and it raises the risk of a renter facing a Covid eviction.

These classes are discussed further below.

3.1 Debt in the wings

“The JobKeeper payments are not high. I have a four-year old. I have more bills to pay and the rent is still high.”

One group of renters is those who do not have debt currently but who may yet be pushed into debt. While these people have avoided explicit debt, they have often had to make significant trade-offs to achieve this. Further, cuts to income support may drive these renters into debt in the future.

Many renters have avoided debt by ‘borrowing from their future’. People have used up their savings, drained their superannuation, and borrowed money from friends or family to keep paying rent while trying to put food on the table.^{19,22} Others have cut back on living expenses such as food, or on productive spending such as on dental care or car maintenance. Although these renters have avoided explicit debt to a third party, this affected their present-day wellbeing and left them more exposed to future risk.

People who have avoided rental debt thus far may yet run out of options. Steps such as accessing superannuation are one-off measures that can provide temporary liquidity but do not alter the fundamentals of a precarious economic situation. As such, debt may in fact grow further as people run out of options, even if overall economic conditions improve. Further, recent and impending cuts to JobKeeper and JobSeeker will compound economic difficulties for the two in five renters who have lost income due to Covid-19.

Although these renters are not in debt to companies or their landlord, the signs are not promising. Cuts to income support and the exhaustion of savings may leave these renters more exposed in the future. This is a sizable cohort of Australians for whom the worst may be yet to come.

3.2 Debt in the mailbox

“I need dental work done soon as it’s causing me toothaches, but I will probably have to pay it via ZipPay or Afterpay since so much of my income is going towards my rent.”

A second group of renters has prioritised paying their rent over other expenses, putting them into debt to companies such as credit card companies or utilities. These renters were often forced into these debts out of a fear that their landlords would evict them if they fell behind on rent.

Generally, renters have a strong preference to pay their rent over other liabilities.²³ This seems to be for two reasons. Firstly, renters are very wary of alienating their landlord: they fear that any missed rental payments will negatively affect the relationship and make it harder to remain in their home or get maintenance done. Secondly, renters fear explicit lease termination. Rental debt is particularly likely to cause someone to lose their home. Even where eviction moratoriums were in place, renters feared eviction, either now or in the future.

As such, Covid-19 has seen many renters avoid rental debt by going into credit debt or delaying bill payments. A recent snapshot from the Consumer Policy Research Centre finds that almost two in five renters have credit card debt or debt to a 'buy now pay later' company.¹⁹ Such maneuvers are a response to landlords refusing rent reductions; they are a coping tactic to avoid rental debt while continuing to cover other living expenses.

Making matters worse, lockdowns have pushed up utility costs. This phenomenon is worse for renters, who will often spend a greater proportion of their income on utilities, and who are also more likely to be in houses that are harder to heat in winter.²⁴ This is an additional impost that renters have had to face.

Although this debt is still a threat, renters with "debt in the mailbox" at least benefit from the legal frameworks that govern these sorts of debts. With respect to utility bills, retailers may not disconnect customers without offering payment plans; the AER recently penalised AGL for such wrongful disconnections.²⁵ In March, changes to Commonwealth bankruptcy law aimed to protect consumers from unsecured creditors, allowing individuals to apply for 6 months' temporary debt protection.²⁶ These relatively strong protections contrast with weak protections for renters: survey data indicate that, despite moratoriums, over one in twenty renters received an eviction notice during the pandemic.⁶

With so many renters losing income, and so many landlords refusing rent reductions, something had to give. "Debt in the mailbox" is the situation for those renters who have scraped together enough to continue paying rent but who have had to go into debt elsewhere.

3.3 Debt at the door

"I asked for a reduction and I got a deferral. I didn't want to push my luck. I owe them money now. I have no power in this situation. I love my home."

We estimate that 5-15% of renters have "debt at the door": a rental debt owed to their landlord which could lead to a Covid eviction. Renters are in this situation due to the inaction of government and the intransigence of landlords and agents. As a consequence, they face a poorly-regulated debt that could cause them to lose their home. This is the most vulnerable group of renters.

Generally, these renters have behaved in a similar way to renters with "debt in the wings" or "debt in the mailbox". The key difference is that these people simply had

lower financial reserves to begin with, or fewer discretionary living expenses that they were able to cut down. For example, people may not have had savings or super to draw upon, or not had family members able or willing to lend money. Renters will do everything they can to avoid debt that could make them homeless. Unfortunately for this group, everything was not enough.

It is noteworthy that “debt at the door” is not a commercial debt. It arises simply from the ongoing human need to have a home. It is not money that landlords lent out of their own pocket; it is not money that renters borrowed. With reduced incomes, little action from governments, and the vast majority of landlords and agents not providing rent reductions, it was inevitable that some renters would end up with such a liability simply from their ongoing need to live in a home. This is the price of renters having stayed in their homes to help keep the community safe.

Despite this, this is the riskiest form of rent that a renter can face. While “Debt in the mailbox” can be a huge burden, it cannot directly contribute to someone’s losing their home and potentially ending up homeless. In contrast, debt to an amateur landlord can see someone lose their home in as little as 8 weeks.²⁷ Further, unlike financial institutions or energy retailers, amateur landlords exist outside strong systems of accountability for how debt is handled. As such, there is greater risk of extra-legal or non-professional approaches to rental debt. “Debt at the door” has the dubious distinction of being both the most dire and the least regulated form of debt.

4. Where do we go from here?

Renters face serious problems in their immediate future if they can’t clear their debts. Governments have a responsibility to act to ensure renters can remain adequately housed and the community can recover together.

Renters who lose savings and accumulate debt face a personalised housing crisis: they are at risk of eviction and possibly moving into homelessness.²⁸ The consequences of this can be devastating, creating a spiral that renters struggle to recover from. People may lose their whole bond and still remain in debt. They may face short-term costs related to eviction such as cleaning, moving, or storage costs, and end up sleeping in their car or having to rack up more debt to cover short-term accommodation. Evictions provoke sickness and depression, disrupt communities, and hurt children.²⁹

Psychiatrists have called eviction a “significant precursor of suicide”, calling it “a denial of one’s most basic human needs.”³⁰ Governments have a responsibility to do all they can to prevent evictions.

Without intervention, long-term disruption to the lives of hundreds of thousands of renters will be the legacy of Covid-19. Almost one million renters may not be able to

stay in their homes due to a lack of rent reductions and government passivity. So what is the way forward to unsaddle renters from a debt they were forced to incur?

5. The principles behind a solution

5.1 What is the burden to be shared?

Although Covid-19 reduced incomes for people who rent, this is not a new burden. Rather, it is a reduced capacity to bear existing burdens. The real burden that renters face is rent: an annual transfer of over \$40 billion from private renters to landlords.¹³ This is a burden that landlords place on renters' backs through monopolistic ownership of property. An equitable response to the loss of income caused by Covid-19 would have been for governments to reduce rent burdens by legislating rent reductions.

The 'burden' metaphor has been prominent when discussing the impact of Covid-19, but with different meanings. Some landlords act as if a rent reduction *creates* a burden that is shouldered by the landlord. In this sense, rent reductions are undesirable as they *impose* avoidable costs.

While this view is understandable from the perspective of the property investor, it is baseless. In fact, a rent reduction reduces the total burden. Before a rent reduction, the tenant bears the entirety of the rent burden. After a rent reduction, the tenant still bears the entirety of their rent burden, but that burden has been reduced.

When tenants lost income due to Covid-19, they had less capacity to bear the burden of rent. Blanket rent reductions could have reduced this burden. Instead, most landlords continued to burden their tenants, saddling them with rental debt. Thus far, we have not seen an equitable approach to dealing with the economic impacts of Covid-19. As we consider what to do about rental debt, we must be aware of the extent to which renters have thus far continued to bear a heavy economic burden.

5.2 What principles should guide how governments deal with rental debt?

A response to rental debt should be guided by a number of key principles. This principles are:

- Housing security,
- Fairness,
- Simplicity, &
- Economic recovery.

Firstly, a response should support people to remain in their home. The home is at the centre of life, a basis for wellbeing, a sense of identity, and personal security.³¹ The primary policy objective should be enabling renters to remain in their homes. Covid-19 rental debt must not lead to Covid evictions.

A response should be fair. Government intervention should counteract the unequal economic impacts of Covid-19, providing more support to those who were more exposed and faced worse effects. Property investors typically are in a more secure economic position than tenants³², they should play a greater role in absorbing economic shock. Another aspect of fairness is procedural fairness: the debt resolution process should be similar for all tenants and not be arbitrarily dependent on the whims of individual amateur landlords.

Policy design must make things simple for people who rent. People who rent have limited resources to review and navigate policy processes. A process around rental debt should be straightforward and easy for renters to understand. This is especially important for renters who may speak English as a second language or be part of communities who are less likely to be reached by government communications. Our experience of other policy responses throughout Covid-19 suggests that having to “jump through hoops” is an impediment to tenant participation.¹⁷

A response should support a sustainable recovery. An extended period of low employment and stagnant wages would harm those who earn an income from working. The approach to rental debt should be seen as part of a broader recovery and stimulus package. As such it should prioritise having money in the pockets of lower-income people who are much more likely to spend that money.³³

6. Removing the yoke of rental debt

If a debt can't be paid, that debt won't be paid. The question, then, is how won't debts be paid?³⁴

6.1 Rental debts should be cancelled

The solution is for governments to cancel rental debt. Where renters are in rental debt to their landlord, governments should buy that debt at a reduced value. This would allow landlords to obtain some compensation. It would also establish the government as the common creditor for all debtor tenants. Governments should then tear up the debt, freeing tenants from the mental and economic burden of indebtedness.

This model has various benefits: it reduces the risk of evictions for rental debt, it preserves landlord-tenant relationships, and it provides for a uniform approach to both creditors and debtors.

Firstly, this model reduces the possibility of lease terminations for rental debt. As long as tenants are in rental arrears, they remain at risk of having their lease terminated and being forced to lose their home. By shifting the role of creditor from the lessor to the government, this model eliminates Covid-19 rental debt as a grounds for lease termination.

Secondly, by removing the landlord from the role of creditor, this model also improves the chances that a landlord and their tenants can sustain a constructive dialogue. Where debt exists between these two parties, it may give rise to informal debt collection, bullying, and standover tactics. By paying the landlord out (at a reduced rate), governments can remove a potential cause of disharmony and improve the likelihood of ongoing secure tenancies.

Thirdly, this model provides for a consistent approach to creditors: their debt is bought at some appropriate fraction of its face value. It also provides for a consistent approach to debtors: their rental debt, an unavoidable consequence of a global epidemic, is waived. This blanket approach is both elegant and equitable. Alternatively, Australian homes will become the sites of thousands of debt skirmishes: ad-hoc, piecemeal negotiations, done outside the scope of tenancy law and with an inescapable power imbalance. This is to be avoided.

6.2 Complementary measures

This program should be complemented by:

- research and monitoring;
- a robust outreach program with tenants, landlords, and real estate agents; and
- support for investors in hardship.

Firstly, there is a lack of information about this problem. Governments do not know how many renters are in debt, how much debt renters are in, and whether this debt is to landlords who did or did not offer rent reductions. Some states have a glimpse at the number of rent deferrals through their own conciliation processes.¹⁸ But these paltry figures barely scratch the surface. Debt cancellation should be combined with rigorous research into the origin of this issue, and this research should be the beginning of ongoing analysis and monitoring of market dynamics in the private rental sector.

Secondly, any program must be proactively communicated to stakeholders. The private rental sector is a highly atomised sector with hundreds of thousands of

small-scale amateur landlords. This makes communication difficult. Government authorities should communicate directly with lessors, tenants, and real estate agents, potentially using contact details held in relation to bond lodgements. Governments should make a particular effort to communicate with CALD communities and could increase funding for tenant advocacy services to assist with this outreach.

It's also possible that a small proportion of property investors may experience genuine hardship due to unrecovered debt. We consider this unlikely. Only around 10% of property investors have applied for mortgage payment deferrals; the RBA considers that investors do not appear to be stretched.⁹ Stretched investors have the option to sell their property, which has the added benefit of encouraging home-ownership.

Nonetheless, banks could play much more of a role in supporting struggling investors. Consistent with our principles, banks have much greater capacity to bear a burden than amateur landlords. Although banks have offered repayment deferrals on mortgages, they are still charging interest on the debt, bearing minimal burden themselves and increasing the eventual cost to the mortgagor. To be more equitable, banks could extend the life of the loan by a period of time equivalent to any repayment freeze, without increasing the amounts to be repaid. Governments could also set up a landlord hardship fund.²²

6.3 The thinking behind this approach

The debt that landlords currently hold over tenants is not a loan. It is not money that tenants chose to borrow from lessors. Rather, it originates in an unprecedented economic strain that left many renters no option but to incur debt. This economic strain arose because renters were conscripted: made “foot soldiers in the war effort”³⁵ to fight coronavirus, made to do their duty and stay at home. To demand that renters now repay this debt is a gross injustice, akin to asking conscripts to pay rent for their time at the barracks. Society owes these households a debt; a rent jubilee is one way to make good on that.

Thinking about the bold measures that governments have taken in response to Covid-19, we can consider debt cancellation as a temporary, retroactive socialisation of rental housing. For those renters who couldn't pay their rent, their home is temporarily socialised, with the government taking on that rent obligation. Landlords have already benefited immensely from significant increases to income support, which maintained rentier incomes¹ even as the rest of the economy ground to a halt. This intervention further benefits landlords, providing a simple means to obtain a proportion of what they consider themselves owed.

¹ Rentier incomes are those derived from ownership of scarce or monopolised resources, as opposed to productive work.

This approach would also underpin a strong economic recovery. Following World War II, the writing down of debts was foundational to economic recovery in Germany and throughout Europe.³⁵ Reducing debt burdens means less concentration of wealth in the hands of existing rentier interests and more liquidity through the economy, supporting local businesses and job creation. Australian governments have a choice: to bow to creditor interests and mire our society in a protracted downturn; or to act in keeping with these unprecedented times, cancel rental debt, and set us on the path to a fairer and more sustainable recovery.

6.4 The risks of debt cancellation

There are some possible criticisms of our proposed solution. It could be argued that:

- This solution is unfair on renters who have made sacrifices to avoid rental debt,
- Debt cancellation sets a problematic precedent that could encourage risky behaviour in the future,
- That this represents special treatment for renters, or
- That implementation of such a policy is impractical.

In this section we deal with each of these arguments in turn.

6.4.1 What is fair for renters who aren't in debt?

Presently, there are renters who are in debt due to circumstances beyond their control. There are also renters who faced similar circumstances but who were able to avoid rental debt. As we've discussed, these renters often went to significant lengths: using their superannuation, borrowing money from family or friends, or cutting back on essentials. Is it fair that this second group of renters receives no dedicated support while the former group has their debt cancelled?

Our experience has been that renters have generally done everything they can to avoid rental debt. The renters who are in rental debt have overwhelmingly made the same sacrifices as other renters. They are in debt through no fault of their own: maybe they had less super, or their landlord wouldn't give a rent reduction, or a housemate moved out and stopped paying rent. These people are clearly in a riskier position than those who aren't in rental debt, particularly with regard to housing security. It makes perfect sense that they would be a focus for action and intervention.

6.4.2 Does debt cancellation set a dangerous precedent?

What about the possibility that a debt jubilee would set a precedent? This could make renters more likely to incur rental debt in the future if they anticipate having that debt waived. Or, it could discourage property investors if it created a perceived risk towards future income streams.

However, we are in an exceptional situation. It's hard to imagine that the present circumstances will be anticipated in the future. As such, there's little likelihood that people who rent would foresee a debt jubilee in a future situation and take on debt that could otherwise have been avoided. It is safe for a government to act exceptionally in this situation, because there's little chance that this situation would re-occur and the same intervention be expected again.

Even if a precedent is created, would it be a problem? In a future economic crisis, it might mean that landlords are more willing to negotiate rent reductions, preferring to secure a reduced income in the present than anticipate a payout in the future. Amongst other things, this would reduce the mental harms of debt and financial anxiety, which have been acute for renters.⁶ If renter prioritised other household expenses over paying rent, this could help to avoid economic downturn, as well as allowing people who rent to sustain essential expenditure support their own health and wellbeing in the short-term.

6.4.3 Is this special treatment for renters?

Renters are not the only people who've been affected by Covid-19. Countless people, in diverse situations, have lost income and had to worry about their future and their families. Why should dealing with rental debt be a priority?

Firstly, we are not proposing that governments cancel rental debt instead of supporting other groups in need. Indeed, a debt waiver should be part of a broad response that provides support to all those who need it. Renters need not be treated better than others: we are calling for a response proportionate to the particular need and the particular risks.

With this in mind, we note that rental debt is a uniquely high-stakes problem. This is because rental arrears is a grounds for lease termination, eviction, and potential homelessness. In addition, it is less regulated and there are fewer protections compared to, for example, utility debts or a mortgage. While mortgage stress is also an issue, we can have greater confidence that banks will approach mortgage stress in a professional way as part of a regulated framework. We cannot have this same confidence when we speculate about how amateur landlords will respond to rental debt.

Because of the unique nature of rental debt, and the disproportionate way in which people who rent have been affected by Covid-19, it is necessary for a policy response to target this need.

6.4.4 How would this be implemented?

There would be some challenges in implementing this solution. Inevitably, there will be gaps and some landlords would attempt to recover debt directly from tenants, even if not legally entitled to do so. However, this approach remains preferable for providing the best chance of resolving debt promptly and with minimal impact on housing security.

A debt cancellation policy could be communicated directly to landlords, real estate agents, and tenants, and publicly advertised. A simple message around debt cancellation would be relatively easy for tenants to register, especially those already mindful of their debt. A program could then be open to direct application from landlords, agents, or tenants. It could also be accessed by referral from, for example, lenders or financial counselling services. Applications for a bond refund could also be referred by the relevant authority if they referred to rental debt. This could also occur if a lessor applies to a Tribunal to terminate a tenancy due to rental arrears.

Tenancy tribunals already have experience with making decisions on rental debt in relation to evictions or bond refunds. As such, they know how to establish the quantum of a debt and make a ruling. This work could either be done by tribunals, or by dedicated teams drawing upon their experience.

As such, while implementation would be novel, it would not be unachievable. Methods exist to proactively or reactively identify rental debts and to feed them into a process for resolution.

7. Conclusion

In this report, we have seen how Australian governments adopted a low-intervention approach to the private rental sector as they responded to Covid-19. Although renters began in a less secure economic position, and bore most of the economic impact, targeted support was minimal. Crucially, nothing was done to systematically reduce the burden of rents.

With so few rent reductions from landlords, many renters went into debt, a combination of “debt at the mailbox” to regulated companies, or “debt at the door” to landlords. We estimate this is 5-15% of Australian renters, or 324,000 to 973,000 people.

If even a fraction of this cohort loses their homes due to rental debt, the consequences will be harsh and enduring. Some may land on their feet, secure another home, and gradually claw their way out of debt. Others will be pushed to the margins, trapped in debt: a life journey hamstrung by the tragedy of unexpected debt.

To prevent this, governments can buy out and write-off rental debt. This will mitigate the risk of evictions, provide for a fairer distribution of the impacts of Covid-19, and help Australia to get back on its feet. Governments have a responsibility to keep their citizenry safe: here is a clear and compelling need to do just that.

The coronavirus pandemic has introduced to the lexicon the idea of coronavirus “long-haulers”. These are people who, months after their initial infection, are still suffering from the symptoms or aftereffects of Covid-19.

Australia’s lukewarm support for renters risks creating another group of long-haulers. This group would be people who may not have contracted the virus but who could face Covid evictions: a legacy of the pandemic that may disrupt their life for years.

Governments cannot stand by and let this happen. Instead, they must write off rental debt. We aren’t all in the same boat. Too many renters are in a leaky junk, taking on water and sitting almost below the water line. It’s time to bail them out.

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