Snapshot: Councils and ratepayers in financial hardship

The Case

The Victorian Ombudsman heard concerns from ratepayers, financial counsellors and community lawyers about the way local councils treat people who cannot afford their council rates. With the COVID-19 pandemic threatening to increase financial hardship in the community, the Ombudsman launched an investigation into the issue.

The investigation into Victorian councils found while some policies were good, some councils had policies that were inaccessible, and in some cases, unfair and wrong. Many people struggling to pay rates were told their only option was a payment plan, when the legal framework includes waivers and deferrals – which some councils have a blanket policy of refusing. Some councils took victims of family violence and those with mental health issues to court over unpaid rates, and people in hardship were charged penalty interest they could not pay back.

Key Findings

- Almost all councils had a hardship policy but they varied greatly
- Councils offered relief to ratepayers during COVID-19
- Information about hardship relief can be hard to find
- Many councils encourage ratepayers in financial hardship to go on payment plans
- Councils do not always tell ratepayers their rates can be deferred or waived
- Many councils charge high penalty interest, currently 10 per cent, on unpaid rates
- Councils had an over reliance on debt collectors
- Some councils were too quick to sue, including litigation against victims of family violence and people with mental health issues
- Council hardship practices compare poorly with sectors such as banks, energy and water.

Key Recommendations

- Capping councils’ ability to charge high penalty interest
- A stronger oversight of debt collectors
- New laws requiring councils to publish hardship information making it easier for ratepayers to know their rights
- Issuing standards for rates hardship relief, including where rates debts are associated with family violence
- Legal action to be the last resort.

By the numbers

- Average council rates in 2019-20 ranged between $1,227 and $2,000+
- 48% of councils do not include rate waivers as part of hardship policies
- 97% of councils use debt collectors

Final word

“When it comes to hardship, too often we’re on our own. Nobody wins from heavy-handed approaches, least of all the public interest. We would be rightly concerned if our bank was doing more to meet its social obligations than our council.” – Deborah Glass, Victorian Ombudsman