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Consumer Affairs Victoria
Policy and Legislation Branch
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Sent by email only: consumerpropertylawreview@justice.vic.gov.au

To whom it may concern

Consumer Property Law Review

We respond to the Options Paper *Consumer Property Law Review: Sale of land and business: options for reform*. Specifically we respond to section 7.2 *Terms contracts and 'Rent-to-buy' arrangements* of the *Options paper*.

WEstjustice is a not for profit, community organisation that provides free legal assistance and financial counselling to people who live, work or study in the City of Maribyrnong, Wyndham and Hobsons Bay. WEstjustice (Western Community Legal Centre) was formed in July 2015 as a result of a merger between the Footscray Community Legal Centre, Western Suburbs Legal Service, and the Wyndham Legal Service.

Throughout our casework, WEstjustice has seen a small number of cases involving rent-to-buy contracts and terms contracts on residential properties. In all of these cases, none of the transactions have seemed to benefit either the purchaser or the vendor.

As the *Options paper* discusses, such rent-to-buy agreements and terms contracts in relation to residential properties are high-risk transactions that frequently result in significant harm to vulnerable buyers and vendors. Vulnerable buyers who typically would not be granted a mortgage due to their low income or poor credit history are being encouraged to enter into these unaffordable agreements. Such agreements are associated with high risks, for example, the loss of option fees if the buyer does not purchase the property. Furthermore the clients that WEstjustice have assisted who were parties to such rent-to-buy agreements have consequently suffered significant financial and emotional distress.

WEstjustice firmly believes that the structural architecture of rent-to-buy agreements and terms contracts in relation to residential properties are built upon the vulnerability of buyers. Purchasers' vulnerable starting position and lack of legal advice and legal protections renders falling behind on payments and the loss of the rent-to-buy property inevitable. These agreements often result in the buyer retaining no equity in the property.

WEstjustice

For this reason WEstjustice supports *Option 8* of the *Options paper*, and recommend the prohibition on rent-to-buy arrangements and the use of terms contracts for residential home ownership sales. In particular, we recommend the following five legal reforms:

1. The outright prohibition on all rent-to-buy arrangements
2. The prohibition of terms contracts in relation to the sale of residential property
3. The prohibition on arranging or brokering a terms contract for residential sales or a rent-to-buy arrangement or encouraging parties to enter into such contracts
4. The prohibition on advertising the sales of residential properties by instalment payments or rent-to-buy.
5. The continuation of terms contracts to sell commercial or rural agricultural property that is subject to existing regulation as suggested in section 8 of the *Options Paper*.

Yours faithfully,



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