

Lisa Gandolfo
Deputy Secretary, Consumer Affairs and Local Government
Department of Government Services
1 Spring Street
MELBOURNE VIC 3000

2 March 2026

Dear Ms Gandolfo,

REGULATORY IMPACT STATEMENT FOR THE RESIDENTIAL TENANCIES (TRANSFER OF BOND SCHEME) REGULATIONS 2026

I would like to thank your staff at the Department of Government Services (the Department) for working with the team at Better Regulation Victoria to prepare a Regulatory Impact Statement (RIS) for the proposed Residential Tenancies (Transfer of Bond Scheme) Regulations 2026 (the proposed Regulations).

As you know, the Commissioner for Better Regulation provides independent advice on the adequacy of the analysis provided in all RISs in Victoria. A RIS is deemed to be adequate when it contains analysis that is logical, draws on relevant evidence, is transparent about any assumptions made, and is proportionate to the proposal's expected effects. The RIS also needs to be written clearly so that it can be a suitable basis for public consultation.

I am pleased to advise that the final version of the RIS received by us on 27 February 2026 meets the adequacy requirements set out in the *Subordinate Legislation Act 1994*.

Background and problems

The legislative framework for renting in Victoria is provided by the *Residential Tenancies Act 1997* (the Act). Under the Act, renters are required to pay a bond prior to moving into a rental property to provide financial protection for the provider against breaches of the tenancy agreement, such as unpaid rent, damage, or cleaning costs. Bonds are typically equivalent to one month's rent, and the average value of a bond lodged in Victoria is approximately \$2,600.¹ The Act requires rental providers to lodge bonds with the Residential Tenancies Bond Authority (RTBA) within ten days of receipt.

¹ For properties where the weekly rent is below \$900, the bond cannot be more than 28 days' rent.

In the RIS, the Department outlines the problem of renters needing to pay a 'double bond' when moving between two rental properties. This occurs when a renter is required to pay a bond for a new rental property before the bond on the initial rental property is released. Payment of a 'double bond' can leave renters out-of-pocket until the bond on their initial property is released, which typically takes two weeks, but can take significantly longer if a bond dispute arises. The Department explains that payment of a double bond contributes to financial stress in the context of a highly competitive rental market and general cost-of-living pressures. It also estimates that payment of a double bond causes Victorian renters to lose out over \$0.7 million in interest that they could otherwise have accrued.

To address these issues, the Department outlines that a Portable Rental Bonds Scheme (PRBS) will be established to enable renters to transfer an existing bond lodged with the RTBA to another rental property. In 2025, the Victorian Parliament passed the Consumer Legislation Amendment Bill 2025, which amended the Act to establish the legislative framework for the PRBS scheme. Under the new scheme:

- A participating renter's bonds will automatically transfer from their initial rental property to a subsequent rental property.
- To have their bond transferred, a renter will need to pay a prescribed application fee and any excess between their initial and subsequent bond amount.²
- The Victorian Government will guarantee the full value of the bond being transferred to the original rental provider and will pay out a claim made by the original rental provider on behalf of the renter.
- Following a successful bond claim made and paid against the initial bond, the Government will establish a debt with the renter to repay this amount.
- If a renter does not repay this debt within 8 weeks or enter a payment plan, the Government will take action to pursue this debt. Attempts to recover debt will first be undertaken internally by the Department. If internal debt recovery is unsuccessful, the Department will refer debts to a debt collection agency (DCA).

In the RIS, the Department explains that regulations are needed to prescribe further details to operationalise the PRBS. Without regulations, the Department explains that:

- Fees for participation in the PRBS and debt recovery actions would not be prescribed, which would inhibit the cost recovery and financial sustainability of the scheme. Without prescribed fees, Victorian taxpayers would bear the costs of the scheme, which are estimated to be approximately \$6.4 million per annum, including both operating costs and estimated debt write-off. This is inconsistent with the Victorian Government's *Pricing for Value Guide*, as the costs of service provision would not be borne by those who benefit from or create the need for the service.
- Debt recovery actions would not be prescribed, which would create uncertainty among renters about the debt recovery processes and degree of enforcement

² Renters will be refunded the difference where their new bond is less than their initial bond.

taken by the Government. The Department notes that the lack of a standardised approach to debt recovery may lead to inequitable treatment of unrecovered debt.

Options and analysis

In the RIS, the Department explains that key elements of the scheme that are not prescribed by the Act include fees and debt management and recovery processes. Some of these elements, such as the fees and certain debt recovery processes, will be prescribed in the proposed Regulations, while other elements will be set out in the Transfer of Bond Guidelines (the Guidelines), which will be made following public consultation on the RIS.

The Department outlines the process to recover unpaid debts that arise when claims against the initial bond are paid out by the Government on behalf of the renter. Elements of this debt recovery process will be prescribed across both the proposed Regulations and the Guidelines. The proposed debt recovery process consists of four stages:

- *Initial payment period (Stage 1A)*: an invoice for payment is issued to the renter and the amount is due to the State 8 weeks after issuance.
- *Internal debt recovery (Stage 1B)*: the Department seeks to recover the debt internally over a short period.³
- *External debt recovery (Stage 2)*: the Department refers the debt to an external DCA to pursue for a 12-month period.
- *Debt management returned to the Department (Stage 3)*: As part of this stage, the Department may recover outstanding debt from the bond held on a renter's second rental agreement when they next move, after any bond claims are made on the second bond.

In the RIS, the Department considers options for two separate fees. The first is an **application fee**, which is paid upfront by renters when they apply to have a bond transferred. The Department explains that the application fee is intended to recover the ongoing operational costs of the PRBS, as well as the cost of debt that is written off.⁴ The second is a **debt recovery fee**, charged to renters with an overdue debt, which is intended to recover the costs of debt recovery action taken by the Department. These options are compared to the base case where no fees are applied, and the Government is unable to cost recover.

The Department uses multi-criteria analysis (MCA) to compare options for both fees against the base case, where no fees are prescribed. For the **application fee**, the Department uses the following MCA criteria and weightings:

- Effectiveness and equity (50 per cent) – the fee should encourage participation (effectiveness) and not limit access to those with a lower ability to pay (equity).

³ This stage will include the issuing of three debt recovery notices, which will not be issued within seven days of each other.

⁴ The Department expects to recover 96.6 per cent of debts established with renters, meaning that 3.4 per cent of debt is estimated to be written off.

- Efficiency (25 per cent) – the fee should enable recovery of PRBS operating costs for the Government.
- User pays for costs (25 per cent) – the fee should reflect costs incurred by an individual's participation in the scheme.

The RIS analyses three application fee options, which achieve full cost recovery over different timeframes:

1. Option 1: \$35 application fee – cost recovery over 8 years
2. Option 2: \$40 application fee – cost recovery over 4 years
3. Option 3: \$45 application fee – cost recovery over 3 years.⁵

The Department notes that there is significant uncertainty surrounding the participation rate, effectiveness of debt recovery processes, and level of debt write-off, given that the scheme is new. Therefore, the options assessed by the Department provide for shorter cost recovery timeframes compared to the typical 10-year recovery timeframe to reduce the risk that costs are not fully recovered over the lifetime of the proposed Regulations.

In the RIS, the Department models the impact of fees on participation in the scheme. As the fee increases, the participation rate is expected to decrease, as alternative credit options such as personal loans and credit cards become more attractive to renters than using the scheme to transfer their bond. The Department assumes that with no prescribed fee, 80 per cent of renters would use the PRBS to transfer their existing bond to a new rental property, as it explains that not all renters will be eligible for the scheme, such as some renters who are in share houses or are transitioning out of the rental market.

The Department identifies Option 1 (a \$35 application fee) as its preferred option for the application fee. The Department assesses that Option 1 will encourage the highest level of participation in the scheme (63 per cent of renters) compared to Options 2 and 3 (54 and 45 per cent respectively), while ensuring the financial sustainability of the scheme based on current projections. The Department also explains that Option 1 better reflects an individual user's costs compared to Options 2 and 3, as there is a reduced likelihood that users will be contributing to surplus revenue due to over cost-recovery in later years.

For the **debt recovery fee**, the Department uses the following MCA criteria and weightings:

- Effectiveness (25 per cent)
- Efficiency (25 per cent)
- User pays for costs (20 per cent)
- Equity (20 per cent)
- Simplicity (10 per cent) – The fee should be easy to understand and administer.

⁵ The dollar figures represent the application fee in 2025-26 fee units. Fees will be prescribed in fee units in the proposed Regulations, meaning they will be indexed annually.

The Department analyses the following debt recovery options:⁶

1. Option 1: a flat fee for all renters with overdue debts (i.e., renters whose debts have escalated to Stage 1A)
2. Option 2: a percentage-based fee for all renters with overdue debts
3. Option 3: a flat fee for renters whose debt are referred to an external DCA (i.e., renters who have not paid their debt at the end of stage 1B)
4. Option 4: percentage-based fee for renters whose debts are debt referred to an external DCA.

The Department identifies Option 1 as its preferred option for the debt recovery fee. The RIS explains that the flat fee structure is simpler to understand and administer, and Option 1 better reflects individual costs because:

- Option 1 minimises cross-subsidisation compared to Options 3 and 4, as all renters who do not pay debts on time cover cost of internal debt recovery.
- Given costs to recover debt are fixed regardless of the size of the debt, the flat fee under Option 1 is more reflective of costs than the percentage fee under Option 2.

With the preferred application fee being a \$35 flat fee (2.08 fee units), the Department's preferred debt recovery fee under Option 1 will be a flat fee of \$12.80 (0.76 fee units), to be paid by renters with overdue debts at the start of stage 1B of the debt recovery process.

Throughout the RIS, the Department acknowledges that there is significant uncertainty surrounding the assumptions used to inform the modelling, particularly regarding the debt recovery and participation rates. If actual outcomes deviate from the estimates used in this RIS, the scheme may over or under-recover costs, resulting in a financial surplus or deficit respectively. To account for this uncertainty, the Department conducts sensitivity analysis. It considers a best- and worst-case scenario that assesses how changes in the debt recovery and participation rates might impact the 10-year cash flow. The results of this sensitivity analysis are presented in the following table:

	Net cash flow (2026 to 2027, \$m, NPV)		
	Lower bound scenario	Central scenario	Upper bound scenario
Debt recovery rate	-\$8.0	\$1.2	\$10.4
Participation rate	-\$4.7	\$1.2	\$7.2

The Department also considers potential competition impacts on credit providers who currently provide financing for initial and subsequent rental bonds. The Department assesses that while the PRBS may reduce demand for these services, it expects there will still be demand for these products, because the PRBS is intended to assist renters to pay a 'double bond' (rather than the initial bond) and renters may choose to access finance rather than participate in the PRBS. It also notes that the proposed application fee is

⁶ The fee level or percentage for each debt recovery fee option is dependent on the preferred application fee option. The combinations of possible options are summarised in Table 1 of the RIS.

broadly in line with equivalent fees for loan products offered by the market, and that the overall competition impact will be minor given the size of the personal loan market.

Implementation and evaluation

The Department expects that the PRBS will commence in mid-2026. Key elements of the Department's implementation plan prior to the launch of the scheme include:

- Consultation and finalisation of the proposed Regulations
- Development of the PRBS Guidelines (which will specify payment and payment plan options, provisions, and key operational policies for the scheme)
- Development of communication materials to outline how the PRBS will work and promote awareness of the scheme among renters
- Operationalisation of the PRBS, including hiring staff, establishing a contact centre, and implementing technology systems.

The Department outlines that it will collect data on key operational parameters to facilitate the ongoing monitoring and evaluation of the PRBS on an ongoing basis. Ongoing monitoring will support the Department in evaluating the suitability of the participation and debt recovery fees.

The Department commits to undertaking a mid-term review of the proposed fees between three and five years following commencement of the PRBS. This mid-term review is particularly important given that the Department notes the high degree of uncertainty surrounding the financial outcomes of the scheme in the RIS. The RIS outlines that the mid-term review of the PRBS fees may form part of the broader Independent Review of the scheme, which will be undertaken between one and three years after commencement of the PRBS as required by the Act. The Department also commits to formally evaluating the proposed Regulations before they sunset in 2036.

Should you wish to discuss any issues raised in this letter, please do not hesitate to contact my office on (03) 7005 9772.

Yours sincerely,



Katrina McKenzie

Commissioner for Better Regulation