

Media Release



Councils too quick to sue over rates: new report

Thursday 6 December 2012 – for immediate release

Victorian local councils are rushing unfairly to legal action to recover unpaid rates, despite legal protections guaranteeing rates revenue, the existence of effective alternative payment strategies, and the severe impact of legal action on disadvantaged ratepayers. This is the key finding of *Council debt collection: Alternatives to suing ratepayers in hardship*, a new report by the Federation of Community Legal Centres and Footscray Community Legal Centre to be launched today by Attorney-General and Minister for Finance, the Hon. Robert Clark MP.

Combined, the State's 79 councils sue around 6,000 people per year in the Magistrates' Court for unpaid rates. The number of claims has tripled over the last eight years, and 15 of the court's top 25 most prolific litigators for debt claims under \$10,000 are councils. Councils with similar demographics sue at different rates, with one council suing at more than ten times the rate of another, the report found.

'Many councils are suing too quickly, often for small amounts, without properly exploring alternatives. Sometimes the legal and court costs more than double the original debt, making it much harder for ratepayers in hardship to get back on track. When the council revenue is ultimately guaranteed by law, this approach is completely unacceptable. The only winners are the debt collection lawyers,' said Hugh de Kretser, Executive Officer of the Federation.

Footscray Community Legal Centre Manager, Denis Nelthorpe said, 'Councils fall well short of best practice in dealing with financial hardship during the rates collection process. Ratepayers in financial hardship should have an opportunity to explain their circumstances outside of the court system'.

Central to the report's recommendations is the adoption of a code of practice to guide councils in dealing effectively and fairly with rates debt. The code is based on broad consultation, the experiences of ratepayers in hardship, and positive work being done in the utilities sector.

'The experience of councils adopting a more progressive, responsible approach to ratepayer hardship shows that councils can sue at far lower rates without jeopardising rate revenue. We want this approach to be adopted consistently across the state through a code of practice,' de Kretser said.

'We expect that awareness of the issues raised in our report and the adoption of the code will significantly reduce unnecessary court claims, as well as relieving stress and needless financial hardship for vulnerable ratepayers,' he said.

In producing the report, the Federation and Footscray Community Legal Centre consulted with the Municipal Association of Victoria, the Victorian Local Governance Association and Ombudsman Victoria. All three bodies support the adoption of a code of practice.

The report was funded by the Victoria Law Foundation, and the Legal Services Board, with pro bono support from Clayton Utz, which will host today's launch.

Council debt collection: Alternatives to suing ratepayers in hardship will be launched on Thursday 6 December 2012 from 11.30am–12.30pm at Clayton Utz, Level 18, 333 Collins Street, Melbourne.

Media are welcome to attend, but are encouraged to RSVP to Federation Communications Manager, Darren Lewin-Hill, on 0488 773 535.

A full copy of the report can be downloaded at:

http://www.fclc.org.au/intranet/public_resource_details.php?resource_id=2188

Media contacts

Hugh de Kretser
Executive Officer
Federation of Community Legal Centres
0403 965 340

Denis Nelthorpe
Manager
Footscray Community Legal Centre
0414 545 290

Darren Lewin-Hill
Communications Manager
Federation of Community Legal Centres
0488 773 535

Bill McArthur
President
Municipal Association of Victoria
0437 984 793