

The case for **car registration payments by instalments** in Victoria



Overview

In June 2015, Colac mother and financial counsellor Julie Barrow started a petition on change.org asking, the Victorian Government to provide affordable payment options for annual vehicle registration costs. Almost 67,000 people have signed the petition. Media attention was attracted, with 3AW's Neil Mitchell and ABC Radio, both covering the petition, and discussing the potential benefits of payment by instalments.

One signatory to the petition, Sharon, summed up why it's so important for her to be able to pay her registration this way:

"It makes it easier to afford and is fairer for everyone to have the option. I don't earn a lot of money and registration is basically my weekly wage in one hit. I budget my wage weekly for all of my other utilities but registration usually gets paid with my tax return. I rely on my car to be able to get to work as I work odd hours and public transport is not an option"

Sharon, *commenter on Change.org/car-rego petition*

Policy change is urgently needed to make car registration more affordable. There are three important changes we believe would address affordability.

About FCRC

The Financial and Consumer Rights Council Inc (FCRC) is the peak body for Financial Counsellors in Victoria. FCRC actively supports Financial Counsellors by promoting the needs of those experiencing financial hardship.

About Financial Counsellors

Financial counsellors provide information, support and advocacy to people in financial difficulty. Based in community organisations, financial counselling services are free, independent and confidential.

Recommendations

Recommendation 1

The introduction of a wide range of monthly vehicle registration options for all Victorians. Providing 1, 3, 6 or 12 month payment options would provide more flexibility, and assist households in meeting this costly, but essential, expense. All instalment payments should be payable one month in advance.

Recommendation 2

Allow pensioners and Centrelink recipients to pay their instalments via Centrepay. Allowing small, regular payments to come out of an allowance, through Centrepay, will greatly assist people on low, fixed incomes to manage their budgets.

Recommendation 3

Expand the Pensioner Concession rate to include those motorists in receipt of Newstart, where they have been unemployed for more than 3 months. At present, a pensioner pays 50% of the standard rate, but a Newstart recipient pays 82% of the full cost. This is a significant difference, particularly considering that Newstart is a lower allowance than the full pension. A car can be essential to obtaining and keeping employment.

A lack of viable alternatives, to allow payment by instalments, is creating a drain on welfare agencies and community organisations. These organisations are footing the cost of registration, through the provision of Emergency Relief funds. Further, many people are driven to use expensive credit to pay for registration, or to pay for basic necessities, once registration costs have consumed their income.

Good Shepherd Microfinance's No Interest Loans Scheme (NILS), which is delivered through local providers, has reported a huge increase in loan applications specifically to pay for car registration- up 125% in the last year¹. We also know that motorists are using payday loans to pay for their car registration, accruing significant fees, charges and additional interest as a result.

Implementing these three reforms will not only empower low income Victorians to pay their registration in a way they can afford, it will also address the costs and inefficiencies that are created by the current system. A number of costs, to the community and the government, can be averted or significantly reduced. These include, the drain on Emergency Relief funds, the cost of exorbitant credit and the significant costs to the State Government for enforcement of fines issued for non registration.

Financial counsellors help people understand their expenses, and to prioritise how they spend their limited incomes. The real life case studies in this report illustrate just how important it is that the option to pay car registration by instalments becomes available to all Victorians, especially those on low incomes.

¹ Information provided by Good Shepherd Microfinance (2014-15 FY)

Doing the sums: how much does registration cost Victorians?

The cost of car registration can be a significant portion of a person's income, particularly for those living solely on Centrelink payments. For those who are casually employed or looking for work, access to a vehicle can be the difference between earning an income and not.

Centrelink payments

Centrelink payments can vary and often depend on a number of factors. These include relationship status, income, assets, whether rent assistance is applicable, and other other aspects of a person's finances and life. These fortnightly rates are current as at October 2015.

Benefit	Single	In a couple (per person)
Age pension*	\$788.40	\$594.30
Disability Support Pension**	\$788.40	\$594.30
Newstart***	\$523.40 (no children) \$566.30 (with dependents/children)	\$472.60

* <http://www.humanservices.gov.au/customer/enablers/centrelink/age-pension/payment-rates-for-age-pension> as at 24-10-2015

** ² <http://www.humanservices.gov.au/customer/enablers/centrelink/disability-support-pension/payment-rates> as at 24-10-2015

*** <http://www.humanservices.gov.au/customer/enablers/centrelink/newstart-allowance/payment-rates-for-new-start-allowance> as at 24-10-2015

To give a comparison, the current Poverty Line in Australia is \$800 per fortnight for a single adult and \$1682 per fortnight for a couple with two children.²

² http://acoss.org.au/images/uploads/ACOSS_Poverty_in_Australia_2014.pdf

Registration costs

Unlike the running and maintenance costs of vehicles, the cost of registration is fixed, and beyond the control of the driver. Drivers cannot shop around for a better deal that suits their budget.

VicRoads publishes an indicative guide to costs of registration by location. It combines the registration component, insurance and compulsory Transport Accident Commission (TAC) component for common vehicle types.

Vehicle location	Registration component	TAC charge	Insurance	Total annual registration fee
Metropolitan area (High risk zone)	\$277.70	\$449.00	\$44.90	\$771.60
Outer metropolitan (Medium risk zone)	\$277.70	\$402.00	\$40.20	\$719.90
Rural (Low risk zone)	\$277.70	\$348.00	\$34.80	\$660.50

Source: VicRoads Vehicle registration and TAC fees calculator³

3 <https://www.vicroads.vic.gov.au/registration/registration-fees/vehicle-registration-fees> As at 26-10-2015

Registration renewal options across Australia

Shorter registration renewal options already exist in other states. A range of options between 1, 3, 6 and 12 month payment periods is offered for all motorists.

State or Territory	Fortnightly payment options	Monthly payment options	3 monthly payment options	6 monthly payment options	Annual payment option
ACT	No	No	Yes ⁺	Yes ⁺	Yes
NSW	No	No	Yes	Yes	Yes
NT	No	No	No	Yes	Yes
Qld	No	No	Yes ⁺	Yes ⁺	Yes
SA	No	Yes ⁺	Yes	Yes	Yes
Tas	No	No	No	Yes	Yes
Vic	No	No	No	Yes [#]	Yes
WA	No	No	Yes ⁺	Yes ⁺	Yes

⁺ Surcharges apply using these options according to publicly available information on the websites referenced for each state or territory

[#] Concession card holders only eligible

State Links

ACT: http://www.rego.act.gov.au/_data/assets/pdf_file/0020/772121/1Private-PCV-registration-fees-100-ITCE.pdf

NSW: Payment options offered using myRego tool at <https://myrta.com/myRego> as at 26-10-2015

NT: http://www.transport.nt.gov.au/_data/assets/pdf_file/0009/19665/r04.pdf as at 26-10-2015

QLD: News articles report a 3 monthly option not reflected on the Queensland government website <https://www.qld.gov.au/transport/registration/fees/cost/index.html> - see article <http://www.sunshinecoastdaily.com.au/news/set-and-forget-rego-bill-payments-welcomed-change/2643127/> as at 26-10-2015

SA: <https://www.sa.gov.au/topics/transport-travel-and-motoring/motoring/vehicles-and-registration/vehicle-registration/renewals> as at 26-10-2015

SA: Monthly direct debit option using EzyReg <https://account.ezyreg.sa.gov.au/welcome.htm> as at 26-10-2015

TAS: http://www.transport.tas.gov.au/registration/options/periodic_registration_-_light_vehicles as at 26-10-2015

WA: http://www.transport.wa.gov.au/mediaFiles/licensing/LBU_DL_FAQ_3MthReg.pdf as at 26-10-2015

Victoria appears to be the only state that restricts eligibility for shorter registration options.

Concessions in Victoria

A 6 month registration payment period is available only to some Victorians and their spouses or domestic partners, who hold concessions. These concessions are a Health Care Card, a Concession Card, or a Department of Veterans Affairs Gold Card and Temporary Permanent Incapacity Gold Health Care Card.

Concession type	Registration fee	TAC charge
Pensioner	50% of full charge	Full charge
Health Care Card holder	50%	50%
Veterans Affairs Gold Card	50%	50%
Veterans Affairs TPI Gold Card	Waived	50%

Source: VicRoads Registrations Concessions

Newstart recipients need higher concession rates

To put all these figures in context of a typical income and costs, let's look at Joe, a single person in receipt of Newstart, receiving a total of \$651.80 a fortnight (\$523.40 Newstart and \$128.40 rent assistance).

In private rental in regional Victoria, Joe may pay rent of around \$270 a week, leaving \$131.80 each fortnight to pay for food, utilities, fuel, medical costs and vehicle registration. Making ends meet, while trying to set aside \$24.34 per fortnight towards vehicle registration, creates substantial hardship. This also reduces the capacity for a person on Newstart to maintain a car needed to assist in searching for work. By contrast, a pensioner who receives a higher payment than Joe, would need to set aside \$14.84 per fortnight for registration – a meaningful difference for someone on a small fixed income.

Amanda's story

Amanda is a 50 year old woman living alone in a regional town who sought assistance from a financial counsellor in August 2015. Amanda suffers from a mental illness, as a result of an incident that occurred during her military service. She is receiving Newstart allowance and working with a job agency to find work. She has three adult children.

Amanda receives \$630 per fortnight in Newstart and Rent Assistance, and pays rent of \$520 per fortnight. This leaves her \$110 per fortnight for food, utilities, fuel, car registration, medical expenses and other living costs.

Amanda needs to find work to assist her in meeting her basic living expenses. In order to find work she needs to be able to afford the cost of car registration which is \$581.05 a year. This equates to \$24.34 per fortnight. If she was to meet this cost each fortnight, she would then be left with \$85.66 per fortnight for food, utilities, fuel, medical expenses etc.

If she was able to receive the pension concession rate, and pay regularly by instalments using Centrepay, she would be more likely to be able to keep her vehicle which she needs in order to find work.

Amanda's financial counselor referred her for Emergency Relief Assistance when her 6 monthly registration instalment notice became due.

Unregistered driving is a community problem that can be addressed to some extent through affordability measures

News reports in 2014 found that around 900 Victorians are caught each week driving unregistered vehicles. An estimated 50,000 drivers were caught driving unregistered vehicles last year alone. This represents an increase of around 21% in five years⁴.

It is impossible to know what proportion of those is inadvertent or deliberate, or what the underlying cause of driving unregistered was⁵. Certainly, unroadworthy vehicles that are not registered because they are unsafe are a serious community safety concern. For people who drive without number plates displayed (to escape the Sheriff's "Automatic Number Plate Recognition" system), there can be far greater consequences, if that car is involved in an accident. However, people who are driving unregistered vehicles, because they can't afford it, are a problem that can and should be addressed.

Jack's story

Jack is a 47 year old single male, receiving the Newstart allowance and privately renting in the outer suburbs of Melbourne. He contacted a financial counselling service in August 2015 and requested financial assistance to pay his car registration which he could not afford because of his rent costs and low income.

He had recently been made redundant and only received a minimal payout that went towards rent and other essential expenses. He previously worked as a security guard and needed his car both for job interviews, and to travel to work should a job be found.

As keeping his car on the road was essential to Jack's opportunities to regain employment and no alternative payment options exist, Jack's financial counsellor applied through court funds emergency funding to pay 6 months car registration. VicRoads confirmed his eligibility for concession rate. Court funds were used to pay 6 months car registration for Jack.

Costs of inflexible payment arrangements to government

If a person is unable to pay their car registration the cost to Government can be substantial. A person who is already in financial difficulty will receive a fine if they don't re-register their car. The following Government Departments can become involved in this process:

- The Victorian Police
- Civic Compliance
- Department of Justice (Sheriff)
- Magistrate's Court

If a person fails to pay car registration, they face the following fines

Infringements stage	\$ 758.00
Fees	\$ 24.50
Enforcement stage	\$ 81.60
Warrant stage	\$ 59.80
Total fines	\$ 923.90

4 <http://www.theage.com.au/victoria/hundreds-caught-driving-unregistered-cars-every-week-in-victoria-20140518-38jpf.html>

5 Victoria Legal Aid's Annual Report doesn't comment on how regularly it provides legal advice about driving an unregistered vehicle, and the Annual Report on the Infringements System 2013-2014 doesn't provide detailed information that would allow commentary on how common fines are or what stage they progress to.

These fines are incurred over a 19 week period.

We believe offering payment by instalments will see greater compliance with registration requirements. This will result in a reduction in costly enforcement action, against people who are unlikely to be able to afford to pay their fines.

Diane's story

Diane rents privately and has an application pending for Newstart. Her partner receives the Disability Support Pension. She has a long history of anxiety and mental health issues.

Diane attended a financial counselling appointment in mid 2014, after the collapse of her small business. In addition to debts related to the business, there were seven Enforcement Orders & eight Warrants. Three of these fines were for driving an unregistered vehicle.

The Sheriff advised that Diane was not eligible for a payment plan to pay her fines, unless she made an upfront payment of 20%. This is because previous plans had been broken. Diane could not afford to pay this amount, and elected to apply to the Melbourne Magistrates Court Special Circumstances list, on the grounds of diagnosed mental illness.

If Diane's application failed, she would face arrest, bail and release for a Community Work Permit.

After attending medical appointments and providing detailed medical documentation, Diane's case was heard at court. She did not have the funds for public transport to get to the hearing and was referred to an Emergency Relief agency for a petrol voucher to attend.

Diane was placed on a good behavior bond until 8 months after her court date.

If no further infringements are incurred, all matters will then be dismissed.

Welfare agencies are footing the bill for people who can't afford their registration

The cost of unaffordable car registration payments is having an impact on community service providers. One emergency relief agency based in Geelong told us that of clients who accessed a special payment in the first half of 2015, 22% of assessments resulted in a payment for car registration. Overall, providing emergency relief payments for car registrations, represented 22% of their special payment budget, and 10% of the overall emergency relief budget – a significant amount of their available funding for emergency relief.

Clients they assisted were using their car to sleep in overnight, as the cost of housing was impossible for them to meet on a Newstart payment. Having their car registered was helping to keep a roof over their head.

An emergency relief agency tells us:

Good Shepherd Microfinance's No Interest Loan Scheme (NILS) offers individuals and families on low incomes access to small amounts of credit, with no fees or interest. Loan amounts are between \$300 – \$1,200 and are for essential goods and services, such as fridges, washing machines or car repairs. Repayments are set up at an affordable amount, over 12 – 18 months⁶.

In the past year, NILS providers have experienced a 125% increase in loan requests where the stated purpose is to pay for car registration.

6 <http://nils.com.au/#use> as at 24-10-2015

“We covered rego for a client whose child had weekly visits in to the Royal Children’s Hospital. Lack of a car was not an option”.

In the financial year 2013-2014, 3.7% of loans sought from Good Shepherd Microfinance were intended for car registration. Figures for the financial year 2014-2015 account for 9.3% of loan applications.

NILS Loan Purpose	July 2013-June 2014	July 2014- June 2015
Car Registration loans	1232 clients	2784 clients
As a % of Loan Purpose	3.7%	9.3%

Source: Good Shepherd Microfinance

If a person already has a loan for their car registration, it means they are not able to access NILS to borrow money when, for example, their fridge or washing machine breaks down. If people didn’t have to take out a loan to make a bulk payment for car registration, it wouldn’t potentially exclude them from getting a loan for something essential, like fridge repairs, that couldn’t as easily be paid by instalments.

Unlike loans, credit cards or other mainstream financial products, NILS loans don’t attract fees and charges. This means there is no effective financial penalty for being unable to pay in full up front. However, accessing NILS to pay for car registration is hardly an effective use of the scheme, given the administrative burden attached. The scheme wasn’t intended as a car registration payment system.

Importantly, for varied reasons, some NILS providers will not support car registration as a loan purpose.

Blake’s Story

Blake lives in suburban Melbourne, and receives Newstart Allowance. He lives week to week and needs his car to find employment. Most of the jobs he applies for require a licence and a car.

Because of his low income, Blake could not put any money aside for his car registration renewal. He applied for a NILS loan to pay his car registration of \$622.50 and was approved in July 2015. He previously had a NILS loan for car repairs. He said he does not know what he would have done if we couldn’t help him with another NILS for car rego.

Blake mentioned that trying to put the money aside is extremely hard on such a low income, however, he didn’t miss the money he was paying towards the previous NILS, because it was paid fortnightly using Centrepay.

Ben's story

Ben is 35 year old single male, who has been on WorkCover for at least 2 years due to a serious psychological injury. He is living in a small town in a rural area with few transport options.

Ben contacted his local financial counselling service in February 2015. He was very distressed at the time, as his car registration was due for payment, in 3 days time, and he needed his car to attend appointments. He had no capacity to pay, as he was already in significant arrears on his utility accounts, rates payments and other expenses.

The financial counsellor liaised closely with the local NILS Coordinator. The NILS Co-ordinator prioritised the processing of the NILS application for the car registration payment of \$391, given the urgency of the situation and the vulnerability of the client.

The loan was subsequently approved within a very short timeframe and a payment was to VicRoads, by the welfare agency. Ben made his repayments of \$30 per fortnight over 6 months. He was very grateful for this assistance of an affordable car registration payment arrangement.

Payday lenders are offering expensive credit to cover car registration costs

It is a concern that payday loans are being used to fill the gap when people don't have enough to cover lump sum registration costs. Research report, *The Stressed Financial Landscape Data Analysis*, commissioned in 2015, by Consumer Action Law Centre, Good Shepherd Microfinance and the Financial Rights Legal Centre, found that 11.2% of people who took out a payday loan did so to cover car registration or expenses⁷.

Payday lenders offer short term loans with annualised percentage interest rates of around 240 per cent. Taking out a payday loan to pay lump sum expenditures can be very costly for consumers. Repayment arrangements prioritise the repayment of loans to payday lenders, and consumers can quickly find themselves running short on money for basic day to day living expenses. This can result in repeat lending. The high interest rates these loans attract means that motorists who take out a payday loan will effectively pay more for their registration.

Financial counsellors and community legal centres are often approached for assistance, in dealing with loans that should not have been given, or when the client simply cannot repay what they owe.

Jarrod's Story

Jarrod is a 23 year old unemployed apprentice carpenter in receipt of Newstart and Rent Assistance totaling \$592 per fortnight. He pays \$400 for rent and his share of household bills. This leaves him with \$192 to pay for food, bills, medical and other expenses.

Jarrod obtained a payday loan to pay his car registration, as he didn't have the money to pay the lump sum but needed his car to find employment. When Jarrod sought assistance from a financial counsellor, he owed \$850, which included several default fees and some penalty interest. His financial counsellor was able to renegotiate the loan and pay off the debt over an extended period of time.

7 <http://consumeraction.org.au/wp-content/uploads/2015/10/The-Stressed-Financial-Landscape-Data-Analysis-DFA1.pdf> p18

Centrepay should be used to make registration affordable

Concession rates for some low income Victorians certainly make car registration more affordable. Financial counsellors know that successfully budgeting for a high cost item means budgeting for the item by paying smaller amounts on a regular basis. This is the basic underlying premise of the hugely valuable Centrepay scheme.

Centrepay is a free voluntary bill paying service. Deductions come from Centrelink payments and can be used to pay many types of bills, including rent, utilities, childcare, and NILS repayments⁸. It currently helps more than half a million Australians manage and prioritise their money. Financial counsellors strongly support the principles underpinning Centrepay. Many clients, including those in this report, recognise it is a helpful service.

People can pay Civic Compliance fines using Centrepay, but they can't use it to pay their registration, to avoid driving an unregistered vehicle. Centrepay should be made available to all Victorians who need to pay their car registration in smaller amounts.

Being able to pay fortnightly would greatly increase the affordability of registration, and we expect would result in a reduction of infringements against motorists who drive unregistered vehicles.

Darren's Story

Darren is a 63 year old widower. He has a diagnosed mental illness and was significantly dependent on his late wife to manage the household affairs. Darren's wife passed away over a year ago. Since then he has been very depressed and unable to cope with the bills. He sought the assistance of a financial counsellor.

Darren presented in a very depressed mood and was not taking care of his appearance. He had piles of unopened mail. He was also at risk of losing his rental property and disconnection from services.

The financial counsellor worked with Darren to go through his bills and provide him with options for managing them. He chose Centrepay for all of his regular expenses and was able to set up affordable fortnightly payment arrangements to stop the imminent disconnection of his gas and electricity. They were also able to reduce the pile of bills down to the current accounts which seemed less daunting to Darren

When Darren attended his second appointment with the financial counsellor, his appearance had changed dramatically and his hair was cut and he took pride in the clothes he was wearing. Darren presented the Financial Counsellor with one of his late wife's teaspoons from her collection as a thank you for supporting him to feel in control of his financial situation by setting up Centrepay. He reports he is feeling positive about his future and in control.

8 <http://www.humanservices.gov.au/customer/services/centrelink/centrepay> as at 24-10-2015

The way forward

Through our day to day case work, financial counsellors know that many Victorians struggle to pay their car registration in full each year.

For many Victorians having a car is not a luxury they can do without. This is especially so for those seeking employment or living in areas without cheaper options like public transport. Many clients of financial counselors tell us that they take out high-cost loans for their registration, because it is simply non-negotiable. For some people, their car is also the roof over their head. People who fail to pay their car registration because they simply can't afford to face fines and enforcement action. This only serves to exacerbate their financial problems.

The introduction of instalment options for vehicle registration in Victoria, in line with other states and territories, will have a significant impact on a person's ability to pay. It may also result in a significant reduction in costs to Government, through the reduction of fines issued for non-payment. It will relieve the burden on community loan schemes and emergency relief funds, and remove the need for people to use expensive credit.

We urge the Victorian State Government to implement as a matter of urgency:

1. The introduction of a wide range of monthly vehicle registration options for all Victorians;
2. An option for Centrelink recipients to pay instalments using Centrepay; and
3. Standardisation of car registration concession rates by increasing the Newstart Concession rate (to become equivalent to the Pensioner Concession rate), for people in receipt of Newstart for more than 3 months.

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