

## Republic Act No. 9653 - "Rent Control Act of 2009"

### What are covered by the Rent Control Act?

All residential units in the National Capital Region and other highly urbanized cities, where the total monthly rent for each residential unit ranges from ₱1.00 to ₱10,000.00 as of the effectivity of the Rent Control Act, without prejudice to existing contracts.

All residential units in all other areas, where the total monthly rent for each residential unit ranges from ₱1.00 to ₱5,000.00 as of the effectivity of the Rent Control Act, without prejudice to existing contracts.

Rent-to-own agreements are exempt from the coverage.

### For purposes of the Rent Control Act, what is meant by "Rent" and "Residential Unit"?

"Rent" - the amount paid for the use or occupancy of a residential unit whether payment is made on a monthly or other basis.

"Residential unit" - an apartment, house and/or land on which another's dwelling is located and used for residential purposes;

- buildings or part or units of such buildings used solely as dwelling places, boarding houses, dormitories, rooms and bedspaces offered for rent by their owners, except motels, motel rooms, hotels and hotel rooms; and
- buildings or part of such buildings used for home industries, retail stores or other business purposes, if the owner and his/her family actually live in them and use them principally for dwelling purposes.

### What are the salient features of the Rent Control Act?

#### 1. Limitations on the Increase in Rent

- For 1 year from the effectivity of the law, no increase shall be imposed on the rent of any residential unit covered by the law.
  - After such period until 31 December 2013, the rent cannot be increased by more than 7% annually as long as the unit is occupied by the same lessee.  
In the case of boarding houses, dormitories, rooms and bedspaces offered for rent to students, the rent cannot be increased more than once per year.
  - When the residential unit becomes vacant, the lessor may set the initial rent for the next lessee.
- After the lapse of said period, the Housing and Urban Development Coordinating Council (HUDCC) has the authority to continue the regulation of the rental of certain residential units:

- To determine the period of regulation and its subsequent extensions if necessary
- To determine the residential units covered
- To adjust the allowable limit on rental increases per annum, taking into consideration, among others:
  - National Statistics Office (NSO) census on rental units
  - Prevailing rental rates
  - Monthly inflation rate on rentals of the immediately preceding year, and
  - Rental price index.

## **2. Payment of Rent**

- Rent should be paid in advance within the first 5 days of every current month or the beginning of the lease agreement, unless the lease contract provides for a later date of payment.
- The lessor cannot demand more than 1 month advance rent.

## **3. Deposit**

- The lessor cannot demand more than 2 months deposit.
- The deposit should be kept in a bank under the lessor's account name for the entire duration of the lease agreement. Any interest that may accrue on the deposit will be given to the lessee when the lease contract expires.
- If the lessee fails to pay rent, electric, telephone, water or such other utility bills, or destroys any house components and accessories, said deposit and interest will be forfeited in favor of the lessor in the amount commensurate to the pecuniary damage.

## **4. Assignment of Lease and Subleasing**

- The lessee cannot assign the lease over the whole or any portion of the residential unit, without the written consent of the owner/lessor.
- The lessee cannot sublease the whole or any portion of the residential unit, without the written consent of the owner/lessor.
- The lessee cannot accept boarders or bedspacers without the written consent of the owner/lessor.

## **5. Grounds for Ejectment**

- Assignment of lease or subleasing, including the acceptance of boarders or bedspacers, without the written consent of the owner/lessor.
- 3 months arrears in the payment of rent.

- Legitimate need of the owner/lessor to repossess the leased property for his/her own use, or for the use of any immediate member of his/her family, as a residential unit, provided:
  - The lease for a definite period has expired;
  - The lessor has given the lessee a formal notice 3 months in advance; and
  - The owner/lessor cannot lease the property or allow a third party to use it for at least 1 year from the time of repossession.

*"Immediate members of family of the lessor" are limited to his/her spouse and direct descendants or ascendants, by consanguinity or affinity.*

- Lessor's need to make necessary repairs of the leased property by reason of an existing order of condemnation issued by appropriate authorities.
  - After said repair, the ejected lessee will have the *first preference* to lease the same premises. However, the new rent shall be reasonably commensurate with the expenses incurred for the repair.
  - If the residential unit is condemned or completely demolished, the lease of the new building will no longer be subject to the said first preference rule.
- Expiration of the period of the lease contract.

#### **What is the lessee's remedy should the lessor refuse to accept payment of the rent agreed upon?**

- With notice to the lessor and within 1 month from the lessor's refusal, the lessee may deposit the amount in the lessor's name:
  - in court (consignation), or
  - with the city or municipal treasurer (as the case may be), or
  - with the barangay chairman, or
  - in a bank.
- Afterwards, the lessee should deposit the rent within 10 days of every current month.
- Failure to deposit the rent for 3 months is a ground for ejectment.
- The lessor will be allowed to withdraw the deposits:
  - When authorized by the court, if the deposit was made in court, or
  - Upon the joint affidavit of the lessor and lessee submitted to the city or municipal treasurer, or barangay chairman, or the bank, where deposit was made.

#### **Can the lessor eject the lessee when the leased premises are sold or mortgaged?**

No, the lessor or his successor-in-interest cannot eject the lessee on the ground that the leased premises have been sold or mortgaged to a third person.

The prohibition applies whether the lease or mortgage is registered or not.

### **Does paragraph (1) of Article 1673 of the Civil Code still apply?**

Except when the lease is for a definite period, paragraph (1) of Article 1673\* of the Civil Code, insofar as it refers to residential units covered by the Rent Control Act, is suspended during the effectivity of the law.

### **Is there any penalty for violation of the Rent Control Act?**

Yes. A fine of not less than ₱25,000.00 but not more than ₱50,000.00, or imprisonment of not less than 1 month and 1 day to not more than 6 months, or both.

### **Will there be a transition to rental deregulation?**

The Housing and Urban Development Coordinating Council (HUDCC) has been mandated to:

- Review the implementation of the Rent Control Act and to conduct a study on rental regulation every 3 years from the effectivity of said Act.
- Submit to Congress its recommendation on whether a continuing regulation is still necessary or deregulation is already warranted.
- Formulate and implement a 2-year transition program which will provide for safety measures to cushion the impact in the event of a regulation-free rental housing market.

\*Article 1673 of the Civil Code provides:

Art. 1673. The lessor may judicially eject the lessee for any of the following causes:

- (1) When the period agreed upon, or that which is fixed for the duration of leases under Articles 1682 and 1687, has expired;
- (2) Lack of payment of the price stipulated;
- (3) Violation of any of the conditions agreed upon in the contract;
- (4) When the lessee devotes the thing leased to any use or service not stipulated which causes the deterioration thereof; or if he does not observe the requirement in No. 2 of Article 1657, as regards the use thereof.

The ejectment of tenants of agricultural lands is governed by special laws.