

COVID-19 & Rent Default

This commentary is written with reference to:

Government of Western Australia Department of Mines, Industry Regulation and Safety (DMIRS) and information provided by the Commissioner for Consumer Protection ([click here](#)), and;

Real Estate Institute of Western Australia (REIWA) ([click here](#))

//my tenants are having trouble paying rent, what are my options? (DMIRS)

Due to loss of employment, some tenants may experience difficulties making their rent payments.

Tenants who experience difficulty meeting their rent obligations due to the impact of the COVID-19 Coronavirus should inform their lessor/property manager as soon as possible. Be honest about the situation and discuss your options, these could include a:

- Rent free period,
- Decrease in rent, or
- Mutual agreement to terminate the lease without penalty

Lessors and tenants who reach agreement about how to manage the situation should formalise any agreement in writing.

It is important to be aware that in the event that a mutual agreement cannot be met and either the lessor or the tenant determines to terminate the tenancy, both parties must comply with the termination process outlined in the *Residential Tenancies Act 1987* (RTA).

From REIWA Regarding Residential Tenants

Typically any concession made or rental income lost as the result of a mutual agreement is not claimable and a landlord can only make a claim on their insurers for loss of rent if they have taken steps to terminate the tenancy. Owners who do not wish to evict tenants will be left unable to claim those losses.

REIWA is currently advocating to State and Federal Governments with three key points, to protect the homes and livelihood of Western Australians REIWA is calling for:

1. Rent assistance to those who lose their jobs for up to six months
2. 75 percent reduction in stamp duty to support small business and sellers to keep transactions flowing
3. Landlord insurers to change policies to help landlords support tenants by covering loss of rent or rent reductions

Although legislation differs from state to state, in summary an insurance policy that has the appropriate covers relating to 'Rent Default' whether a residential or commercial policy, will require a landlord to proceed against a tenant where the tenant experiences financial difficulties whatever the cause; exactly as would be required before the advent of COVID-19. Some policies will provide cover for the death of a sole tenant. Subject in the specific policy terms, conditions and exclusions.

If you have any queries regarding Rent Default and Landlords Insurance, please head to www.knightcorp.net.au for a list of contact details for the Knightcorp team. For advice regarding your financial assistance options, please contact your financial institution should you be experiencing financial hardship as a result of COVID-19.