



Tip Sheet for Tenants

RENT DEPOSITS

Prepared by the Tenant Duty Counsel Program & Funded by Legal Aid Ontario

This publication contains information intended to assist the general public. It is not legal advice about your situation. You should talk to a lawyer or legal worker for advice on your particular situation.

CAN THE LANDLORD COLLECT A RENT DEPOSIT BEFORE I MOVE IN?

Yes. The landlord can ask you to provide a rent deposit or “security deposit” up to the amount of one month’s rent.

Many tenants are familiar with landlords asking for “first and last month’s rent” when a tenant moves in. This is legal, as long as the landlord applies the first month’s rent amount to the first month that you live in the unit.

TIP FOR TENANTS: If your landlord does not collect a rent deposit from you either before or at the time you make your tenancy agreement, your landlord **cannot** demand a rent deposit from you later.

If you give a rent deposit to your landlord, the rent deposit can only be used as the rent payment for the last rental period before you move out. Rental periods are generally a month or week. Your landlord cannot use this money for any other purpose.

TIP FOR TENANTS: Some landlords ask tenants to pay anywhere between three months rent and one year’s rent before moving in. **This is illegal.** If this has happened to you, get legal advice as soon as possible.

MY LANDLORD MADE ME PAY A “DAMAGE DEPOSIT”. IS THAT LEGAL?

No. The law does not allow landlords to collect “damage deposits”. It is also illegal for landlords to collect any kind of commission or fee for renting the unit to you.

Some landlords also ask for a “key deposit” or “key money”. This is legal only if it is refundable, and if the key deposit matches or is less than the actual replacement value of the key. For example, if the landlord asks for a key deposit of \$200, this is probably illegal. Most keys do not cost \$200 to replace.

DOES THE LANDLORD HAVE TO PAY ME INTEREST ON MY LAST MONTH'S RENT DEPOSIT?

Yes. By law, the landlord must pay you interest on your last month's rent deposit every year. The amount of interest is determined on a yearly basis in accordance with the Consumer Price Index for Ontario. It is the same amount as the yearly guideline rent increase.

If your landlord does not pay you interest on your last month rent deposit once every 12 months you can deduct the amount owing from your rent.

TIP FOR TENANTS: If the landlord has not paid you interest on your rent deposit and you want to deduct it from your rent, let your landlord know. When you deduct the interest from your rent include a note with the rent payment to let the landlord know why you are paying less rent that month. Please see the attached sample letter.

You should know, however, that if your landlord legally increases your rent, your landlord has the right to ask you to increase your rent deposit to the new legal rent. This is called a **"top-up"**. The landlord can take part of the interest owed to you and add it to your last month rent deposit so that your last month rent deposit is the same as your current rent.

WHERE CAN I GET HELP OR MORE INFORMATION?

Contact your local **Community Legal Clinic** for free advice on landlord and tenant matters. Legal clinics give free legal advice to people with low incomes.

To find the nearest community legal clinic for your area, go to Legal Aid Ontario's web site at www.legalaid.on.ca. Click on **CONTACT LAO** then **COMMUNITY LEGAL CLINICS**. Or call Legal Aid Ontario:

Toll-free	1-800-668-8258
In Toronto	416-979-1446
Toll-free TTY	1-866-641-8867
TTY in Toronto	1-416-598-8867

You can contact the **Landlord and Tenant Board** for application forms and for general information about landlord and tenant issues. The Board cannot give you legal advice. The Board's website address is www.ltb.gov.on.ca. You can call the Board at 416-645-8080 or 1-888-332-3234.

You can find information online at www.acto.ca or www.cleo.on.ca

In Toronto you can also call the **Tenant Hotline** at 416-921-9494 for free information and referrals to your local legal clinic.

**LETTER TO LANDLORD
INTEREST ON LAST MONTH'S RENT**

Date: _____

Landlord's name: _____

Landlord's address: _____

Dear _____:

Re: Interest on my Last Month's Rent Deposit

It has been more than one year since I was paid interest on my rent deposit.

Under subsection 106(6) of the *Residential Tenancies Act*, you are supposed to pay me interest once a year on my rent deposit, in accordance with the Consumer Price Index for Ontario. The interest rate for this year is _____.

As you have not done so, and in accordance with subsection 106(9) of the *Residential Tenancies Act*, I am deducting the interest owing, which is \$ _____ from my rent for the month of _____.

Yours truly,

Signature: _____

Name: _____

Address: _____
