

BOND - RENTAL

A sum of money paid by a tenant and held by the relevant government body to ensure against losses from non-payment of rent and damage done to property. The money is held as a bond and is intended to cover the lessor's or agent's immediate loss if a tenant leaves owing rent or damage to the property. It may not cover all of the lessor's or agent's losses and they may pursue recovery of additional costs through other avenues such as the Small Claims Court. The appropriate amount is usually spelt out in the legislation.

The lessor or agent does not have to take a bond from the tenant. If they do, they cannot ask for more than four weeks rent. They must also give the tenant a receipt as proof of payment of the bond. The money is lodged with a bond lodgement form.

TAKING A BOND IN NSW

Information for landlords

A rental bond is money paid by the tenant as a form of security in case they breach the tenancy agreement. A bond should not be treated as a substitute for careful selection of prospective tenants. All bonds must be lodged with Fair Trading and you can make a claim against the bond for certain reasons after the tenancy ends. Most tenants do the right thing and get their bond back at the end of the tenancy. However, sometimes a bond does not cover the damage and rent owed by a tenant. If you are concerned about this risk, consider taking out landlord insurance.

Amount of rental bond

While not compulsory, taking a rental bond is highly recommended unless there is a good reason not to.

Be aware that a rental bond:

- cannot be an amount more than 4 weeks' rent. This is paid at the start of the tenancy and applies to all NSW rental properties, whether furnished or unfurnished. Higher bonds cannot be charged for tenants with pets, children or for any other reason. Also, you cannot request or receive additional bond payments ('top-ups') during the tenancy.

- must be in money, not in a form such as personal goods or a written guarantee from the tenant's friends or relatives. The only exception is for Tenancy Guarantees issued by Housing NSW. These guarantees (of up to \$1000 over and above any bond paid) help those with a limited or poor rental history to rent a place in the private rental market.

- does not need to be paid before signing the tenancy agreement. This includes applicants for