

Security Deposit

RTA 2018: Section 14

A security deposit is often called a “damage deposit”. It refers to the money paid by a tenant to a landlord who have entered into a rental agreement. This money is held by the landlord as a type of insurance in the event the tenant causes the landlord to suffer some type of financial loss.

A security deposit is different from a “holding deposit”. Before entering into a rental agreement, a landlord may require a potential tenant to pay a deposit to “hold” a rental property while the tenants make up their minds on whether or not to rent the property. Often in this situation, a “holding deposit” is not refundable because the landlord may stop advertising the property or decline other offers to rent until the person who paid the “holding deposit” makes a decision. The payment or refund of a holding deposit is not regulated under the Residential Tenancies Act because a rental agreement has not yet been entered into and there is no landlord tenant relationship established.

When a landlord and tenant enter into a rental agreement, the landlord may require the tenant to pay an amount of money (security deposit) which the landlord is to hold in “safe keeping” to ensure the tenant meets their responsibilities identified in the rental agreement such as pay rent, pay utilities, repair any damages caused by the tenant. This money is not considered revenue for the landlord and must be held in an interest earning trust account, separate from the landlord’s other bank account if the landlord has more than 3 rental units.

Maximum Amount

The amount of the security deposit that a landlord can ask a tenant to pay depends on the type of rental agreement. The table below provides a summary of the maximum amount landlords are permitted to obtain as a security deposit.

Type of Rental Agreement	Maximum Security Deposit
Week to Week	2 Weeks Rent
Month to Month	$\frac{3}{4}$ Month Rent
Fixed Term (6-12 months)	$\frac{3}{4}$ Month Rent

The RTA does not permit a landlord to collect separate security deposits for separate items such as pets. Any money a landlord receives as security deposit that is over and above the maximum amount permitted in the above table, may be used by the tenant toward payment of rent.

Receipt Required

A landlord is required to provide the tenant a written receipt stating the amount of the deposit, the date of payment, and the premises to which it applies.

Return or Retain

The RTA requires the landlord to return the deposit (plus interest) to the tenant within 10 days after the rental agreement is terminated unless: (i) the landlord and tenant reach an agreement on the return of the security deposit; or (ii) the landlord files a claim to retain all or a portion of the security deposit.

If a tenant makes an application to the Director of Residential Tenancies for the return of the security deposit, the landlord will be notified of the application and a hearing date. The landlord then has 10 days from the date the landlord receives a copy of the tenant's application, to file an application to retain some or all of the damage deposit. If the landlord does not file an application within the required time period, the Director may cancel the hearing and automatically issue an order for the return of the damage deposit to the tenant.

Interest

The amount of interest the landlord is required to pay is defined by the Security Deposit Interest Regulations available on the webpage identified below.

Security Deposit Interest Regulations

<https://www.assembly.nl.ca/legislation/sr/regulations/rc000071.htm>

Security Deposit Interest Calculator

<https://www.servicenl.gov.nl.ca/landlord/deposit-calc.asp>