

FAIR RENTAL PRACTICES

The purpose of fair rental practices is to further the creation of a problem-free and functional residential lease.

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The Central Union of Tenants
www.vuokralaistenkeskusliitto.fi

The Finnish Association of Landlords
www.suomenvuokranantajat.fi

The Finnish Real Estate Federation
www.kiinteistoliitto.fi

RAKLI – The Finnish Association of Building Owners and
Construction Clients
www.rakli.fi

FAIR RENTAL PRACTICES

The mutual trust between the contracting parties to a residential lease is particularly important in residential lease agreements. The lessor surrenders his or her apartment to the use of another person and the tenant establishes a home in the rented apartment. Leases are long-term in nature and may include unexpected changes, which increases the importance of loyalty and openness between the parties to the contract.

■ The purpose of fair rental practices is to assist in creating a problem-free and functional residential lease and its continuous management and appropriate termination. The organisations that have compiled the fair rental practices recommend that their guidelines be observed for residential leases, particularly when the parties have not agreed concerning situations that may emerge. However, if the parties have specified operating methods for the lease, these shall be observed in accordance with the agreement.

Renting is a European way of life. More and more people – especially young people – and their families do not want to own a home and commit to long-term debt. For many of them, rental housing is the best and most flexible way to live.

Residential leasing activities should be profitable for the lessor in the long run. The rent should cover the costs incurred by the lessor and produce return on the invested capital. At the same time, the tenant should receive an apartment that corresponds to the rent paid as agreed and a secure lease that meets his or her needs.

Fair rental practices also include neighbourliness within the residential community. The well-being of the residential community is based on residents being interested in common issues and taking other residents into consideration. In a pleasant residential environment, a resident understands his or her responsibility when using common facilities and yard areas. The building regulations and general guidelines regarding normal good behaviour should be taken into account in the use of common facilities.

Functional residential markets need a sufficient supply of housing. In addition to professional actors, private lessors are needed to increase the offering. A sufficient supply of rental apartments is important for social development and employment.



Openness and interaction

■ Renting operates according to the rules of fair play, and the procedures take the views of both contracting parties into consideration. Any special conditions (such as a smoking ban or responsibility for maintenance) must be clearly indicated in the rental advertisement.

Contact between the contracting parties is an important factor in lease management. To facilitate their interaction, the parties shall ensure that their contact information remains up to date throughout the lease period.

The tenant's main obligation is to pay the agreed rent in full on the due date, at the latest. Fair rental practices oblige the tenant to inform the lessor of any rent payment difficulties immediately.

Fair rental practices require that the lessor and the tenant discuss the targets of the lease, such as possible personal use in the future. Fair rental practices involve notifying the tenant of any renovations decided upon in the housing company that the lessor is aware of and that may affect use of the apartment. Notification of any renovations other than those planned by the lessor must be provided as soon as the lessor learns of them.

Signing of a lease agreement

■ Fair rental practices require that a lease agreement always be made in writing. Contract models can be purchased at well-stocked bookstores. The agreement must be written in a clear and unequivocal manner. In addition, the lease agreement must list all appendices to the agreement. If the lease agreement includes appendices, they may not conflict with the lease agreement or the Act on Residential Leases (481/1995).

It is recommended that both contracting parties inspect the apartment and other premises associated with its possession when signing the lease agreement and terminating it, and record all observations concerning their condition.

In many cases, the inspection performed at the end of the previous lease period serves as the starting point for the inspection in the new lease period.

If the parties wish to alter the agreement later, the changes must be clearly recorded in the agreement.



Agreement on rent increases and raising the rent in privately financed leases

■ The rent is determined according to what has been agreed between the lessor and the tenant.

For new leases, the rent level corresponds to the market level, while for old leases rent levels may have fallen behind the market rental value for apartments.

According to the law, rent can be increased on the basis of the agreement only if an applicable provision has been included in the lease agreement. This means that the grounds for increase and the date on which the increase is to take effect must be recorded in the agreement. A fixed-term agreement of less than three years may not include a provision for increase linked to an index or a similar condition.

Also the use of fixed percentage amounts or euro denomination as the grounds for increase are not recommended in fixed-term agreements of less than three years; however, an increase provision may be included in agreements that are valid until further notice and fixed-term agreements of at least three years.

In rent increase provisions where only the lessor is able to calculate the rent increase amount, the tenant must, according to the Act on Residential Leases, always be informed in writing of the new rent and the date it takes effect. The lessor should notify the tenant of such an increase one month prior to the effective date.

It is also recommended that the lessor informs the tenant of the increase when the rent increase provision of the agreement indicates the exact effective date and the precise basis for calculation. If, however, the lessor does not issue a notice of increase, the tenant must calculate the increase and begin to pay the higher rent in the manner agreed upon in the lease. The parties involved are bound by what has been agreed in the lease agreement. For this reason, the lessor may be entitled to charge rent increases retroactively to the time of the previous increase, for a maximum of three years.

If rent under a privately financed lease agreement has to be increased in a manner other than that outlined in the agreement, negotiations must be initiated at least six months prior to the intended increase. The increase must be reasonable, and the higher rent should correspond to the rental value of the apartment. Increases may not exceed 15% per year, except in situations where extensive renovations are being made to improve the property and the rental value of the apartment. If negotiations between the parties lead to agreement on a rent increase, it is advisable to make an agreement in writing. At the same time, the grounds, date, and amount of annual rent increases to be made after the initial increase should be agreed upon and recorded.



If negotiations regarding a rent increase do not lead to agreement, the lessor is legally entitled to give notice on the lease agreement. In conjunction with giving notice, it is advisable to inform the tenant of the rent level at which the agreement could continue. Simultaneously, the tenant should be informed of the deadline for accepting this change in rent in order to avoid termination of the lease. The acceptance period should end one month before the end of the period of notice.

Rent and rent changes in ARA leases

■ According to the law, rent may not be freely determined or raised for rental buildings where the need for an apartment is the principle for selecting residents (ARA rental agreement). These lease agreements primarily observe the principle of original cost for determining rent. Determination of rent on the basis of original cost also refers to the fact that all building costs are covered by rental income. This means that if one tenant neglects his or her rent payment, the other tenants will have to pay it. For this reason, the lessor must intervene promptly in cases of neglected rent payments.


In an ARA lease agreement, the lessor must inform the tenant of rent increases in writing. The notification must indicate the grounds for the increase and the new rent amount. At the earliest, the increase in rent shall take effect two months after the lessor's notification. If the parties have agreed on separately invoiced benefits (compensation based on use, such as a water fee), it is not necessary to inform the tenant of an increase that is based on greater consumption or a change in the number of people living in the apartment.

Collateral security

■ Security provided by the tenant ensures payment of rent, proper care of the apartment, and other responsibilities related to the lease. For reasons of clarity, it is advisable to indicate in the lease agreement that security is provided to ensure the fulfilment of all obligations associated with the agreement. Security is requested before the keys are handed over and a tenant takes possession of the apartment. The lessor must hold the security carefully and keep it separate from the security-holder's other property for the duration of the lease period. Interest on monetary security shall be agreed upon at the start of the lease period.

The lessor may hold back only reasonable costs to cover damage that has actually resulted from the tenant's neglect. However, the tenant is not responsible for the repair costs for





small marks, dents, and similar instances that result from normal wear and tear. The tenant may not refuse to make the final rent payments by invoking the security.

If there is no justification for using the security deposit, it shall be returned in full without delay as soon as the lease has ended and the apartment and related premises have been cleaned, the keys handed over, and the apartment inspected.

If the lessor is justified in withholding some part of the security, the difference must be returned to the tenant without delay. The tenant must be notified of the withholding of security and reasons for it in writing or by e-mail, at the address indicated by the tenant. The tenant must also receive a written list of the costs resulting from the item(s) cited.

Insurance

■ It is always advisable for a tenant to purchase insurance, regardless of whether the lessor requires it in the terms of agreement. Home insurance, including legal protection and liability insurance, purchased by a tenant should be considered part of the cost of living. A small increase in basic costs significantly improves the safety of living and usually covers the costs of damage to personal property and temporary housing for the resident in cases of accident.

Property insurance does not cover the tenant's personal property or the cost of residents' temporary housing.

Keys

■ In accordance with fair rental practices, the lessor must ensure the safety of the keys and locks for the rental apartment.

Keys are handed over after the tenant has signed for them. A sufficient number of keys must be provided in relation to the number of residents. Three keys per apartment or one key per resident plus one spare key can be considered a reasonable number. The lessor must have additional keys made at the request of the tenant and at tenant's own expense. At the end of the lease, the tenant shall return the keys received and any additional keys made during the lease period.

For the duration of the lease period, the tenant is responsible for the safe-keeping of the keys and is required to use careful consideration of who is allowed to use them. Information that identifies the apartment may not be kept on the keys or key chains.

Upkeep of the rented premises

■ The condition of the rented premises shall be inspected prior to the tenant taking possession and when the tenant surrenders the apartment back into the lessor's care.

According to the law, the tenant must take good care of the rented premises and the related equipment and furnishings in the premises. If the tenant notices a fault in the apartment that could cause damage, he or she must immediately take appropriate measures to prevent the damage. This can mean protective measures or notifying the authorities, company representatives, or the lessor.

Whenever possible, the tenant must inform the lessor in writing of any faults and other deficiencies that appear in the apartment. If the fault or deficiency threatens the condition or structures of the apartment, notification must be given immediately in accordance with the law. Whenever possible, the lessor should confirm that he or she has received the tenant's notification by, for example, e-mail.

If the lessor is responsible for correcting the deficiency, the law obliges the lessor to initiate these measures within a reasonable period of time. However, if the deficiency relates to a matter essential to the use of the apartment, repairs must be initiated immediately. The repair must be performed in a manner that causes the tenant as little disturbance as possible.

If the apartment contains a machine or furnishing that requires more precise upkeep or servicing, the lessor shall provide the tenant with the necessary instructions in writing.

Renovations performed by the lessor and housing company

■ The aim of renovations is to improve the quality and safety of living. According to the law, the lessor is entitled to perform repair and alteration work in a rented apartment. The lessor must inform the tenant of the planned renovations in writing and observe the legal or agreed hours for the work. By law, urgent repair and alteration work can be performed immediately. Repairs that do not cause significant inconvenience or disturbance to the leasehold can be performed upon 14 days' notice. According to the law, the tenant must be informed of more extensive repairs and improvements to the apartment at least six months prior to the start of the work.

When the lessor is a housing company, it has the same obligation to notify the tenants as private lessors do. The legal notification periods in the Act on Residential Leases do not bind the housing company when a shareholder acts as the lessor. The tenant must be informed of renovations to be performed by the housing company as soon as such information is available.

The notice must include the contact person, extent of the renovation, starting date, and estimated duration.

A tenant in an apartment that is in deficient condition or only partially in use shall pay only partial or decreased rent for the duration of the renovation. According to the law, the tenant is always entitled to a reasonable rent reduction for the duration of the renovation unless the tenant has caused the damage to the apartment. The amount of the discount is particularly dependent on the level of inconvenience. The tenant is entitled to a rent discount regardless of whether the renovation is performed by the lessor or the housing company.

If the apartment is uninhabitable during the renovation, the tenant has to move out for the duration of the renovation. The tenant is not obliged to pay rent for the apartment in such cases. A tenant in an apartment that is in deficient condition or only partially in use shall pay only partial or decreased rent for the duration of the renovation. The lessor is not responsible for providing the tenant with substitute housing for the duration of the renovation. However, according to fair rental practices, the lessor should offer the tenant another apartment when possible. In such cases, the tenant is free to choose whether to accept the apartment offered by the lessor. If the tenant does so, he or she shall pay the lessor the agreed rent for the substitute apartment.

When performing renovations, the lessor should ensure that they cause the tenant as little inconvenience as possible. In accordance with fair rental practices, the lessor shall, even when providing notification of the renovation, attempt to advise the tenant on how to protect any property that may remain in the apartment and indicate how the post-renovation cleaning will be arranged on the part of the lessor, as well as other practical measures.

For reasons of flexibility and planning, the notification should include a proposal regarding the rent discount during the renovation and an estimate of the intended rent after the renovation. If the tenant considers some part of the proposal to be unfair, he or she should contact the lessor in order to continue negotiations. The proposal should be changed if the conditions of the renovation change. The actual inconvenience caused by the renovation and the fair final amount of reduction are generally only evident after the renovation is completed. Furthermore, the tenant is entitled to compensation for any damage caused through the carelessness of the party commissioning or performing the work.

Renovations performed by the tenant

■ According to the law, the tenant is not entitled to perform alteration or repair work on rented premises without permission from the lessor. Such work subject to permission is considered to include painting, wallpapering, and changes to fixed furnishings. If the tenant receives permission to do alteration or repair work in the apartment, the compensation paid for work and materials must be agreed upon in writing in advance. The tenant must provide the lessor with the opportunity to inspect the completed alteration or repair work at an agreed time. The date when compensation will be paid must also be agreed upon, as well as how the alteration or repair work is to be performed (schedule, materials, workers, supervisors, and quality).

If the tenant has, with the permission of the lessor, performed alteration or repair work that increases the value of the apartment, the lessor shall pay compensation for this work as agreed with the tenant. If nothing has been agreed on in advance regarding compensation, the tenant is entitled to reasonable compensation for alteration or repair work that significantly raises the value of the apartment.



Visits to the apartment

■ According to the law, visits to the apartment must always be agreed upon with the tenant. An example of an acceptable method is a visit notification that requests the tenant to contact the lessor if the proposed visit time is unsuitable. Such notices must always include the visitor's contact information, the reason for the visit, and its estimated duration. It must also be noted that a renovation notification may not serve as notification of entry to the apartment.

The time of the visit must be indicated as precisely and accurately as possible in the visit notification, in order to cause the tenant as little inconvenience as possible in terms of, for example, arranging work or pet care. The tenant must leave the security lock open at the time of the visit so that the lessor can enter the apartment with the master key. The tenant must ensure that the visitor has safe entrance to the apartment at the agreed time.

According to fair rental practices, the lessor shall instruct the property management personnel and also remind external service providers that they are visiting the tenant's home and that schedules must be observed in this respect. Also, notification of the visit must be left in the apartment.

According to the law, the lessor is entitled to enter a rented apartment to check the condition of the premises at a time agreed on with the tenant. If the apartment is being rented again or sold, a showing to a tenant candidate must also be arranged for a time that is suitable for both parties. The tenant may not prevent or hinder entrance to the apartment without cause.

Giving notice on a lease

■ The most common method of terminating a lease agreement that is valid until further notice is to give notice on the agreement. When a lessor gives notice on a lease agreement, the legal period of notice in leases that have been in force for less than one year is three months and six months in cases of leases that have lasted a year or more than one year. The tenant's period of notice is one month, regardless of the duration of the lease.

According to the law, the period of notice is calculated from the last day of the calendar month during which the notice was received. However, the parties may also agree in the lease agreement as to the date on which the period of notice begins.

According to the law, such notice must always be served in writing and verifiably – for example, by means of the tenant's signature. An e-mail or SMS message does not meet the legal requirements.

What constitutes a disruptive way of life

■ Living involves tolerance of a certain level of noise, and it must be possible to live a normal life in the apartment. For example, the sound of children playing is considered normal at the times allowed in the building's regulations. Making loud noises should be avoided at night. However, activities that are normally permit-

ted and acceptable can become a disturbing way of life if the activities cause unreasonable inconvenience to neighbours. For example, several hours of piano playing each day, continuous barking of dogs, or listening to loud music can constitute a disturbing way of life.

According to the law, the lessor may give notice or even rescind the lease agreement after issuing a warning if the tenant continues a disturbing way of life in the apartment. This refers to repetitive and continued noise or other sensory disturbances that hinder living regularly coming from the apartment.

By law, the fact that the tenant is violating regulations that must be obeyed in order to maintain health and order can also entitle the lessor to rescind the lease agreement. Such cases include instructions from the health and rescue authorities and rules of the property and housing company. However, these rules may not unnecessarily restrict normal living.



Final cleaning

■ The apartment and other premises in use on the basis of the lease shall be empty, in good condition, and cleaned when handed over at the end of the lease. The apartment, cupboards, floors, and surfaces must be wiped down and rubbish removed. Washing of windows or ceilings is not automatically part of the normal final cleaning. It is advisable to agree on the level of the final cleaning at the start of the lease period and ensure that the tenant is simultaneously provided with written instructions concerning the standard of cleaning.

Move-out date

■ According to the law, the move-out date is the first working day after the date of termination of the lease agreement. Thus, if the agreement ends on a Friday, the move-out date is the following Monday. If the Monday is a holiday, the move-out date is Tuesday. The tenant must leave half of the apartment on the move-out date for the lessor's use. On the day after the move-out date, the tenant must hand over the entire apartment, empty and cleaned, to the lessor. Other premises in use on the basis of the lease must also be emptied.

It is also possible to agree that the move-out date is the last day of the agreement, in which case the apartment must be completely cleaned and handed over to the lessor on the move-out date. In such cases, the agreement must unequivocally specify the agreement made concerning the move-out date.

According to the law, the tenant is obliged to pay rent for the time of possession of the apartment if he or she continues to use the apartment after the termination of the lease agreement. Time of possession refers to that time during which the tenant actually uses the apartment for living or storing goods.



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