

## **Bankruptcy and Foreclosure**

### **The Residential Tenancies Act:**

- states that the bankruptcy of the landlord does not immediately affect the right of the tenants to remain in their units.

### **Reference:**

*Residential Tenancies Act:* Sections 10(9), 12(14); Regulations: Sections 21, 22

### **Details:**

The declaration of bankruptcy by a landlord means that all of their properties become the property of the Trustee in Bankruptcy. Whoever takes over the property may try to sell it to regain some of the money that is owed by the landlord.

A tenant does have some protection. The Act states that when a rental property is sold, the new owner becomes the landlord, and they are bound by the terms of the existing leases.

If the property is foreclosed upon, the tenants holding leases lose the right to stay if the foreclosing agent gives them a three month Notice to Quit or until the end of the term of the lease, whichever occurs first.

If a landlord goes bankrupt, the premises are foreclosed upon, or goes to trusteeship or receivership, the security deposit is transferred to the parties overseeing the events that are happening.

### **Procedure:**

Any disagreements in regards to bankruptcy are handled the same way as any other residential tenancies dispute.

- either party can file an Application to the Director asking for a resolution of the disagreement;

- the applicant must serve the respondent with a copy of the application;
- the Officer will first attempt to reach an agreement between the two parties (mediate) and failing that, hold a hearing, determine the facts and then issue an order.