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Important Update: Incorrect Increases to a Security Bond

Consumer Protection's Real Estate [eBulletin](#) Issue 9, sent 16 March 2012, outlined a persistent problem experienced by the Bond Administrator when agents incorrectly increase the amount of a rental property's security bond. If an agent increases a security bond before they are permitted to do so, the Bond Administrator is required to return the submitted bond increase to the agency which then have to return it to the tenant.

As you can appreciate, amending incorrect bond increases is a time-consuming process for the Bond Administrator and the agency. Such errors not only create extra work for the Bond Administrator, but also delay the processing of other bonds. The errors may also hamper an agency's ability to service its clients efficiently and cause legal issues for those maintaining a tenancy bond trust account.

It is important to note that incorrectly increasing a bond breaches the *Residential Tenancies Act 1987* (the Act). Agencies which submit incorrect bond increases may be referred to Consumer Protection's compliance area and as such, agents may risk disciplinary action under the *Real Estate and Business Agents Act 1978*.

Agents need to be aware that a bond can only be increased if there has been an increase in rent, and:

- the bond has not been increased in the previous 12 months; and
- the tenant has been given 60 days notice of the increase to the bond.

Amendments to the Act, which will be implemented in late 2012, will reduce the 12 month period to six months. However, until these changes apply, agents must comply with the existing legislation.