

# Rents are paid one year in advance in Manila

Philippine law is generally PRO-LANDLORD in the luxury segment but it is NEUTRAL as between landlord and tenant for the rest of the market.

## Rents: Can landlord and tenant freely agree rents in Philippines?

Parties can freely negotiate rent in all segments of the market as the Rental Reform Act of 2002 expired in 2004.

## Deposits

The landlord and tenant can negotiate any deposit they wish.

By custom in upper-end condominiums, rents are paid in advance with post-dated cheques for the duration of the lease contract, usually 1 year. Contracts usually state security deposits worth 2-3 months' rent. The deposit is returned one month after the end of the tenancy, after deductions for repairs and unpaid bills have been made.

For the rest of the rental market, landlords typically demand one month's advance rental and two months' deposit. The deposit is usually used to pay the rent for the last month of the occupancy. Most of the time, the landlord is left with unpaid bills and repairs.

## What rights do landlords and tenants have in Philippines, especially as to duration of contract, and eviction?

In the formal (luxury) market, the contract can be freely negotiated, and the conditions of the contract prevail.

If the tenant is still in the unit 15 days after the lease agreement has expired, and no notice has been given by either party beforehand, it is implied that the contract has been renewed but with a different term as determined by the courts.

In the lower end of the market, contracts are usually oral. According to the law, in these circumstances, the landlord can eject a tenant due to the following:

- Nonpayment of rent for three months;
- Subleasing the unit without the written consent of the landlord;
- Landlord's need for the property for personal use. Three months' formal notice must be given;
- Need of the landlord to make necessary repairs. The ejected tenant; however, retains first preference to rent the same unit.

The tenant can terminate the lease agreement at any time. The tenant can also withhold rent payments, if the landlord refuses to make necessary repairs or fails to maintain the tenant in peaceful and adequate enjoyment of the property leased.

If the unit is condemned for demolition, a notice of 15 days is given to the tenants to leave the unit. If the landlord wishes to evict a tenant, he must file a case in court. Within 10 days, he can apply for a permit to reclaim the property. The court must decide within 30 days, notwithstanding appeals, counter appeals, delays, and other matters. The court would then order the Court Sheriff to assist the landlord in claiming his property.

### EVICTON FOR NON-PAYMENT OF RENT

Duration until completion of service of process	42
Duration of trial	97
Duration of enforcement	25
<b>Total Days to Evict Tenant</b>	<b>164</b>

Courts: The Lex Mundi Project

### **How effective is the Filipino legal system?**

Barangay (town) tribunals mediate in most landlord-tenant problems. If the problem is not resolved at the town level, the parties may go to court and endure a long and expensive trial. But the legal system is cumbersome. In practice the landlord's success in evicting a tenant may depend on his influence in influencing the police (or local gang members) to apply pressure.

### **Legislation: Recent changes in Filipino Landlord and tenant law**

The Civil Code of the Philippines [Articles 1654-1688] provides a general guideline for the conditions of lease of rural and urban lands. The owner of the land or property, however, should be wary that the law contains provisions that in certain circumstances the "custom of the place" shall be followed. For a country with almost 60 ethno-linguistic groups, the custom may be unpredictable, especially in rural areas.

The Rental Reform Act of 2002 (Republic Act No. 9161) regulates rentals of residential units with rents not exceeding PHP7,500 (US\$141) per month in cities, and PHP4,000 (US\$75) per month in all other areas. It expired in 2004 but the provisions are generally still followed at the lower segment of the rental market.