



# Dispute Resolution Services

Page: 1

Residential Tenancy Branch  
Ministry of Housing

## **DECISION**

Dispute Codes      ARI-E

### Introduction

This hearing dealt with the landlords' application for dispute resolution (application) seeking remedy under the pursuant to section 43 of the Residential Tenancy Act (*Act*) and section 23 of the *Residential Tenancy Regulation (Regulation)* for an additional rent increase due to increased eligible financial, operational or landlord rent expenses.

The landlords and the tenant, JD, attended, the hearing process was explained, and they were given an opportunity to ask questions about the hearing process. All parties were affirmed.

The tenant confirmed receiving the landlords' application and not filing any evidence. I considered the tenant's testimony as their evidence.

All parties were provided the opportunity to present their evidence orally and to refer to relevant documentary evidence submitted prior to the hearing, and make submissions to me.

I have reviewed all written evidence and testimony before me that met the requirements of the Residential Tenancy Branch (RTB) Rules of Procedure (Rules). However, not all details of the parties' respective submissions are reproduced here; further, only the evidence relevant to the issues and findings in this matter are described in this Decision.

Words utilizing the singular shall also include the plural and vice versa where the context requires.

### Preliminary and Procedural Matters-

The landlord said they served the tenants with their application for dispute resolution and Notice of Hearing by registered mail. I find the landlord submitted sufficient evidence to prove service of their application and notice of hearing to tenant FM as required by the Act.

Issue(s) to be Decided

Is the landlord entitled to impose an additional rent increase for their increase in financial costs?

Background and Evidence

The landlords' application for an additional rent increase was based on the following:

*The landlord, acting reasonably, has incurred a financial loss for the financing costs of purchasing the residential property, if the financing costs could not have been foreseen under reasonable circumstances.*

The residential property contains three rental units, described as a main suite, studio suite, and a basement suite. Two rental units remain the subject of this dispute, as the tenant in the studio suite gave notice to vacate for March 31, 2023 and was vacant until the end of the prior fiscal year. The landlord submitted that the rent amounts have been included in their application as total rent for the period if all suites are rented.

The evidence showed that when the landlords purchased and closed on the residential property on June 1, 2021, their interest rate was 1.4%.

According to their application, the landlord submitted the following regarding each rental unit, describing current rent.

1. bedroom suite (occupied by JD)  
current monthly rent, including utilities - \$1045, with estimated utility costs of \$105 per month.

The landlord proposes a rent increase of 29%, increasing the monthly rent from \$1045 to \$1349, an increase of \$304.

2. 3 bedroom (main) suite (occupied by FM)  
current monthly rent, including utilities - \$3053, with estimated utility costs of \$175 per month

The landlord proposes a rent increase of 29%, increasing the monthly rent from \$3053 to \$3939, an increase of \$886

3. Studio suite  
current monthly rent excluding utilities - \$1750, with estimated utility costs of \$70 per month

The landlord's calculations show a monthly rent of \$1293, with a proposed rent increase of \$375, to \$1668, a rent increase of \$375.

*A. Increase in financial costs -*

The landlord submitted on their application that the property was purchased on June 4, 2021, at an interest rate of 1.34%, for a purchase price of \$1,246,500 and a down payment of \$249,300. The date of the latest change in interest rate was January 26, 2023, at 5.59%. The impact on operating costs was \$20,139.77 in the last fiscal year and \$583.67 in the previous fiscal year. The date of the previous change in interest rates was June 12, 2022, at 5.09% as of the date of the application. At the hearing, the landlord submitted that the interest rate is now currently 6.09%.

The landlord submitted that the fair market rents (FMR) for the 1 bedroom suite is \$2003, which makes the monthly rent of \$940 113% below FMR. For the 3 bedroom suite, the FMR is \$3159, which makes the monthly rent 10% FMR.

The studio suite was not included as it has since been re-rented during the dispute period. Combined all rent for suites is 24% below FMR.

Other submissions by the landlord include a video link to a televised address from the Bank of Canada's Governor regarding interest rates and a Bank of Canada media release from January 20, 2021, a link to the Bank of Canada's 2022 Annual Report said to show that financing costs could not have been foreseen under reasonable circumstances, and a link to an International Monetary Fund research working paper. Additional evidence included a spreadsheet reflecting rental income, utilities income, and recurring expenses, such as bank charges, landscaping, property taxes, insurance,

and utilities, for June through December, 2021, all of 2022, and from January through September 2023.

Additionally, the landlord submitted a copy of spreadsheet titled, "Comparison between initial financing costs and current financing costs, and proposed rent increase options".

The landlord said that they are using their savings account in essence to subsidize the tenants' rents.

In response, the tenant submitted that the rent increase would represent a financial hardship as their income has not increased by 29%. The tenant submitted that the landlords sent the other tenant, FM, an email prior to the hearing informing that tenant they did not intend to raise their rent.

The tenant explained their monthly rent was lower because they have been a tenant in the rental unit since 2012, proving they are a good tenant.

The landlord submitted that FM had a newer tenancy and was already paying closer to fair market rent. However, they were required to include all rental units in the application, and they must increase the monthly rents at the same rate. Increasing FM's monthly rent by 29% would push the amount beyond a logical amount.

### Analysis

The standard of proof in a dispute resolution hearing is on a balance of probabilities, which means that it is more likely than not that the facts occurred as claimed. As the dispute related to the landlord's application for an additional rent increase based upon increase financing costs, the landlord has the onus to support their application.

Section 43(1)(b) of the Act allows a landlord to impose an additional rent increase in an amount that is greater than the amount calculated under the Regulations by making an application for dispute resolution.

Sections 23.1 (b) of the Regulations sets out the framework for determining if a landlord is entitled to impose an additional rent increase if the landlord, acting reasonably, has incurred a financial loss for the financing costs of purchasing the residential property, if the financing costs could not have been foreseen under reasonable circumstances.

I will not reproduce the sections here but to summarize, the landlord must prove the following, on a balance of probabilities:

Increase in financial costs

The Tenancy Policy Guideline 37D: Additional Rent Increase for Expenditures, provides some guidelines and requirements for consideration of a landlord's financial loss because of financing costs for purchasing property:

*A landlord can apply for an additional rent increase if the landlord, acting reasonably, has incurred a financial loss for the financing costs of purchasing the residential property . . . if the financing costs could not have been foreseen under reasonable circumstances.*

*The financial loss must result from something that the landlord could not foresee under reasonable circumstances.*

*The landlord must provide evidence of the new financing costs . . . and the resulting financial loss.*

In order to prove a financial loss, policy guideline provides as follow:

*To prove a financial loss, a landlord must ordinarily submit into evidence an audited or certified financial statement that:*

- *summarizes the financial condition of the landlord,*
- *includes a statement of profit and loss, and*
- *is signed by someone authorized to sign audited financial statements in the Province of British Columbia, or is certified by a professional accountant, or is accompanied by a sworn affidavit of the landlord that the financial statements are true.*

In addition, the application itself instructs applicants to attach financial statements for the last fiscal year, and if the financial statement is not audited, the applicant must provide sufficient evidence before or at the hearing, such as supporting documentation.

In this case, the landlord asserts that interest rates have increased, impacting their mortgage payments since purchasing the property, and the resulting income from the

rental units. However, I find a financial spreadsheet showing income and expenses does not prove interest rates. In considering the evidence requirements, I would expect mortgage payment increase letters from the mortgage provider. Additionally, I was not provided bank statements verifying mortgage payments/financing increases. Apart from that, no evidence was provided reflecting the landlord's financial condition, showing any additional income from other sources, such as wages/salaries of the two applicants' employment or retirement income, or other assets and investments. Apart from that, the landlord's evidence did not include an audited or certified statement.

For these reasons, I find the landlord submitted insufficient evidence of an actual financial loss as set out in the policy guideline.

I therefore refuse the landlords' application due to insufficient evidence.

### Conclusion

The landlords' application has been refused due to insufficient evidence.

This decision is made on authority delegated to me by the Director of the Residential Tenancy Branch under Section 9.1(1) of the *Residential Tenancy Act*.

Dated: November 15, 2023

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Residential Tenancy Branch