



DECISION

Introduction

On April 7, 2025, the Landlords filed an application pursuant to section 43 of the Residential Tenancy Act (the “Act”) and section 23(1) of the Residential Tenancy Regulation (the “RTR”) for an additional rent increase (the Application). The reason for additional rent increase stated in the Application is that the Landlords, acting reasonably, have 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.

Service of Notice of Dispute Resolution Proceeding (Proceeding Package)

Tenant J.S. confirmed receipt of the Proceeding Packages and that they had enough time to review it.

Based on the Tenant J.S.’s testimony, I find the Proceeding Packages properly served using my authority under section 71(2) of the Act and the hearing proceeded as scheduled.

Service of Evidence

Based on the submissions before me, I find that the Landlords’ evidence was served to the Tenants in accordance with section 88 of the Act.

No evidence was received by the Residential Tenancy Branch from the Tenants. Tenant J.S. confirmed that they did not submit any evidence for consideration.

Issue to be Decided

Are the Landlords entitled to an additional rent increase for incurring a financial loss for the financial costs of purchasing the residential property under section 23(1) of the RTR?

Background and Evidence and Analysis

While I have considered the Landlords' documentary evidence and the testimony of the parties, not all details of their submissions and arguments are reproduced here. The relevant and important aspects of the Landlords' claims, and my findings are set out below.

The Landlords submitted that the current monthly rent of this tenancy is \$2,164.00.

The Landlords are seeking to increase the rent by an extra 34.01%, besides the 3% permitted under by the Act and RTR for 2025, totaling an increase of \$736.00 and resulting in a new rent of \$2,900.00.

Landlord P.G. testified that the current rent of \$2,164.00 does not cover the mortgage payment of \$2,435.00 and that the Landlords are seeking to increase the rent to \$2,900.00 which is the current market rent for a similar unit in the same building or the buildings in the neighbourhood. In support, the Landlords submitted a compiled list of current rental listings from various listing sites.

The Landlords listed the increase in financial costs in their Application as follows:

Date of purchase of property: July 8, 2021	Interest rate at purchase: 1.53%
Purchase price: \$649,280.00	Down payment: \$120,000.00
Date of latest change in interest rate: April 9, 2025	Interest rate: 4.03%
Impact on operating costs: Total in last fiscal year: \$15,411.24	Total in previous fiscal year: \$14,515.77
Date of previous change in interest rates: January 21, 2023	Interest rate: 5.53%

The Landlords submitted copies of the mortgage statements to corroborate the above.

Tenant J.S. argued that the Landlords' application should be dismissed because their submissions do not align with Policy Guideline 37D as the Bank of Canada has recently decreased the interest rate.

While I accept the Landlords' submissions that the current rent does not cover the mortgage payment and that they have incurred a financial loss, Policy Guideline 37D states that the financial loss must result from something that the landlord could not foresee under reasonable circumstances.

For example, the Bank of Canada regularly adjusts the interest rate to stimulate or slow economic growth, depending on the phase of the economic cycle. If a mortgage has a low interest rate, it is reasonable to assume that the interest rate might increase by a few percent at renewal. If a landlord obtains a variable rate mortgage rather than a fixed rate mortgage it is reasonable to assume that the interest rate might increase by a few percent over the term of the mortgage. If a landlord purchased a property when interest rates were low with no cushion to sustain a reasonable hike in interest rates and financial loss resulted, an additional rent increase would likely not be granted.

I note that the interest rate increased from 1.53% in 2021 to 5.53% in 2023 by 4%, and decreased to 4.03% in 2025 by 1.5%.

As stated in Policy Guideline 37D, it is reasonable to assume that the increase rate would have gone up by a few percent at renewal when the Landlords purchased the rental property at a low interest rate and that they could have foreseen that the low interest rate would not remain permanently. Furthermore, if the Landlords obtained a variable rate mortgage rather than a fixed rate mortgage it is reasonable to assume that the interest rate might fluctuate (increase/decrease) by a few percent over the term of the mortgage. In this case, the interest rate ultimately decreased from 5.53% in 2023 to 4.03% in 2025. Therefore, I find that, on a balance of probabilities, the increase in financing costs was not unforeseeable under reasonable circumstances.

For the above reasons, I dismiss the Landlords' application for an additional rent increase due to a financial loss for financing costs of purchasing the property without leave to reapply.

Conclusion

The Landlords' application for an additional rent increase due to a financial loss for financing costs of purchasing the property is dismissed in its entirety, without leave to reapply.

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

Dated: June 25, 2025

Residential Tenancy Branch