

DECISION

Introduction

This hearing dealt with the Landlord's Application for Dispute Resolution under the Residential Tenancy Act (the Act) for an additional rent increase in accordance with sections 43(1)(b) and 43(3) of Act and section 23 of the Residential Tenancy Regulation (the Regulation).

The Landlord attended the hearing.

The Tenants attended the hearing.

Service

The Landlord confirmed service of the Notice of Dispute Resolution Hearing and proceeding package to the Tenants by email on October 19, 2025. The Tenants confirmed at the hearing they were served with the proceeding package, including copies of the Landlord's evidence. I therefore find the Tenants were served with the required materials in accordance with the Act.

The Tenants confirmed service of their evidence to the Landlord by email on December 9, 2025. The Landlord confirmed at the hearing they were served with the Tenants' evidence. I therefore find the Landlord was served with the Tenants' evidence in accordance with the Act.

Issues to be Decided

Is the Landlord entitled to an additional rent increase for an extraordinary increase in operating expenses?

Is the Landlord entitled to an additional rent increase for financial loss for financing costs incurred for purchasing the property?

Background and Evidence

I have reviewed all evidence, including the testimony of the parties, but will refer only to what I find relevant for my decision.

The Landlord is seeking an additional rent increase based on an extraordinary increase in operating expenses and financing costs. The Landlord submitted that their mortgage,

originally secured at 1.87% in 2020 with monthly payments of \$4,114.00, will renew at approximately 4.59%, increasing payments to about \$5,500.00. Additionally, due to the dissolution of the Landlord's marriage, they purchased their spouse's share of the property to retain ownership and incurred further loans totaling \$214,797.00, resulting in combined monthly obligations of roughly \$8,000.00 for mortgage, loans, taxes, and utilities. The Landlord submitted that these costs were unforeseeable and constitute an extraordinary increase in operating expenses and financing costs.

The Landlord also submitted that the requested rent increase would bring the rental unit in line with comparable rentals in the area. Finally, the Landlord stated that without this increase, they will suffer significant financial loss and may be forced to sell the property, potentially displacing the Tenants.

The Tenants oppose the proposed increase and submitted that the Landlord's personal circumstances are not valid grounds for an additional rent increase under the legislation, which requires proof of financial loss directly tied to the rental unit. They submitted that the Landlord had annual opportunities to apply rent increases but only did so once in March 2024. The Tenants also question the timing of the application, which followed a minor dispute about furniture disposal and pet restrictions.

The Tenants also submitted that the proposed increase would create severe financial hardship for them and included a financial impact statement to support this claim. In their view, the Landlord has not demonstrated that the rental unit itself has caused a financial loss sufficient to justify an additional rent increase.

Analysis

Section 43(3) of the Act states that in the circumstances prescribed in the regulations, a landlord may request the director's approval of a rent increase in an amount that is greater than the amount calculated under the regulations referred to in subsection (1) (a) by making an application for dispute resolution.

Sections 23(1)(a) and (b) of the Regulation states:

- (1) A landlord may apply under section 43 (3) [additional rent increase] of the Act for an additional rent increase, other than for eligible capital expenditures, if one or more of the following apply:
 - (a) the landlord has incurred a financial loss from an extraordinary increase in the operating expenses of the residential property;
 - (b) 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 Landlord's application requests an additional rent increased based upon a financial loss from an extraordinary increase in operating expenses of the residential property and based upon a financial loss for the financing costs of purchasing the residential property, if the financing costs could not have been foreseen under reasonable circumstances.

Financial loss from extraordinary increase in operating expenses

Policy Guideline #37D states:

Financial loss [occurs] when expenses exceed revenue over a fiscal year. For example, if the operating costs of a building exceed the revenue generated by the building (usually through payment of rent), this may result in financial loss. The financial loss must be the result of an extraordinary increase in operating expenses...

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.

The arbitrator must also consider factors such as the rent history for the affected unit in the three years before the application and any changes in operating expenses or capital expenditures during that period.

Audited or certified financial statements provide probative evidence that a qualified professional reviewed the Landlord's expenses, confirmed the accuracy of those expenses, and likely included all appropriate documents to corroborate the correct calculation of the expenses. Audited or certified financial statements also assure that a requested rent increase to cover an extraordinary increase in operating expenses does not operate as a windfall to the landlord in exorbitant profits.

In this case, the Landlord submitted financial information showing annual rental revenue of approximately \$21,000.00 and operating costs including mortgage payments of \$50,179.08 per year, property taxes of \$5,662.32, and utilities totaling \$1,913.37. The Landlord also disclosed a recent ownership buyout of \$240,000.00 and projected monthly expenses of approximately \$8,000.00 following the mortgage renewal and additional loans. The Landlord did not provide audited financial statements or an

affidavit to support the financial information. The Landlord also confirmed that over the course of the tenancy, which began in December 2020, they have only imposed one annual rent increase on the Tenants in March 2024.

While the above figures indicate that the Landlord's expenses exceed rental revenue, the question is whether the increase in operating expenses is extraordinary within the meaning of the Regulation. The mortgage payment has remained stable over the past three fiscal years; however, the Landlord anticipates a substantial increase upon renewal due to rising interest rates. The buyout cost and resulting loans are also cited as contributing factors.

Even if I accept that the Landlord has incurred a financial loss, Policy Guideline #37D provides:

The financial loss must be the result of an extraordinary increase in operating expenses. Extraordinary means very unusual or exceptional. If operating expenses sharply and suddenly increase without warning, it may be extraordinary. For example, if the cost of a kilowatt hour of electricity doubled in a period of 3 months, this may be considered extraordinary. If the cost of garbage collection increased 7% over the previous year, this would probably not be extraordinary. (emphasis added)

I find that the operating expenses claimed: mortgage payments, property taxes, and utilities, do not show a very unusual or exceptional increase over the past three years. Therefore, these expenses cannot be characterized as "extraordinary." Rather, the annual increase in these expenses is intended to be covered by the annual rent increase authorized by the Regulation.

I further find that it is expected that mortgage payments will increase when an ownership buyout occurs. Even if the reason for the purchase was unexpected, the choice to purchase the property carries foreseeable financial consequences.

Accordingly, I find that the Landlord has not provided sufficient evidence to establish, on a balance of probabilities, that they have sustained an extraordinary increase in operating expenses pursuant to section 23 of the Regulation. The Landlord's request for an additional rent increase on this basis is dismissed.

Financial Loss for Financing Costs of Purchasing the Property

The Landlord further requested an additional rent increase based upon an incurred financial loss due to increased financial costs in financing the rental unit. The Landlord submitted that they purchased the property in December 2020 with a five-year mortgage term at 1.87%, resulting in monthly payments of approximately \$4,114.00. The Landlord further submitted that, following the dissolution of their marriage, they bought out their spouse's share of the property and obtained additional loans totaling \$214,797.00 to complete the transaction. The Landlord stated that these circumstances were

unforeseen and that the resulting financing costs, combined with the anticipated increase in mortgage rate to 4.59% upon renewal, will create significant financial hardship.

While I accept that the dissolution of the Landlord's marriage may have been unforeseen, Policy Guideline #37D and section 23(1)(b) require that the financial loss be attributable to financing costs that could not have been foreseen under reasonable circumstances. In my view, the decision to purchase the property from the spouse was a choice made by the Landlord, and the financial consequences of that choice, including the need for additional financing, were foreseeable. The Regulation does not contemplate personal circumstances such as divorce as a basis for an extraordinary rent increase. Rather, it addresses situations where financing costs themselves were unforeseeable at the time of purchase, such as an unexpected change in lending terms or conditions beyond the landlord's control.

I also note that the anticipated mortgage rate increase from 1.87% to 4.59% remains speculative at this point, as the renewal has not yet occurred. Further, while this increase is significant, it is not very unusual or exceptional in the current economic climate, and I find that it does not meet the threshold of "extraordinary" as contemplated by the Regulation.

Accordingly, I find that the Landlord has not established, on a balance of probabilities, that they have incurred financing costs that could not have been foreseen under reasonable circumstances within the meaning of section 23(1)(b) of the Regulation. The Landlord's request for an additional rent increase on this basis is dismissed.

Conclusion

The Landlord's application for an additional rent increase due to an extraordinary increase in operating expenses and financial loss due to financing costs for the purchase of the unit, is dismissed 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: January 8, 2026

Residential Tenancy Branch