

RENTAL BONDS: HOW DO THEY WORK?



ABSTRACT

Before a tenant can settle into their new rental home, they will likely be asked by their landlord or property manager to pay a rental bond (or security deposit). Understanding how a rental bond works and the steps for claiming a bond refund is important for tenants to comprehend before they sign a tenancy agreement. If you are a landlord, it is also important to be aware of your obligations when it comes to taking a bond and the rules around claiming a bond if issues arise.

What is a rental bond?

A rental bond (also called a security deposit) is a payment that tenants are required to make to a landlord or property manager or to a rental bond authority directly when signing up to lease a new rental property.

It acts as a form of protection for the property owner, so if there's a breach of the lease agreement – for example, a tenant causes damage to the property, or a home is left unclean when vacated – property owners can tap into these funds to remedy them.

Taking a rental bond is not mandatory in any state or territory in Australia, but most landlords/property managers will ask for one.



Before you sign the Bond

Work out what you can afford

Rent isn't the only cost you have to plan for. Make sure you can afford all the costs of moving out, including the rental bond and everyday living expenses.

Not paying your rent on time can affect your credit score and rental history. You could even be evicted.

Use our budget planner

Work out how much you can afford to spend when you move out.

Inspect the property

Make sure the property:

- is clean and in good condition
- has what you need, like a laundry or somewhere to park your car
- is in the right location for you — for example, do you need to be close to public transport or a supermarket?

Check the lease term



If the length of the lease doesn't suit you, try negotiating with the landlord, or look for a different place.

If you sign the lease but decide to move out before it ends, you may have to keep paying rent until the landlord finds another tenant. You could also lose some of your bonds. Check your lease for details.

Understand the contract

Make sure you understand the terms and conditions of the lease. Don't be afraid to ask questions — you're not expected to know everything about rental contracts.

- Ask the real estate agent to clarify anything you're unsure about.
- Ask family and friends for a second opinion.
- Get advice from your local tenants' union.

How much rental bond can be taken?



The bond amount is specified in the lease, and the maximum payable can vary from state to state. However, as a common rule, tenants can expect the bond to be the equivalent of four weeks' rent.

For example, if you're in Sydney renting a house for \$520 a week, you can expect your bond to be roughly \$2,080.

How does the rental bond process work?

The rental bond process will differ from state to state but will typically involve the following steps:

- 1.** A bond lodgement document is prepared and signed by the tenants and property owner. This document will typically include the address of your new property, the name and contact details for each tenant and the bond amount you will be paying.
- 2.** Tenants named on the lease will then pay the bond money to the landlord/property manager or pay the bond directly to the applicable rental bond authority. Tenants should ask for a receipt once they have paid the bond money as proof of the transaction.
- 3.** The landlord/property manager must then lodge the bond paperwork and money with the relevant state or territory government authority within the legislated time frame (or incur fines).

Below is a list of the rental bond authorities in each state/territory (sorted alphabetically):

- ACT Revenue Office
- NSW Rental Bond Board
- Queensland Residential Tenancy Authority
- South Australia Residential Bonds Online
- Tasmanian Rental Deposit Authority
- Victorian Residential Tenancy Authority
- Western Australia Bonds Online

***Please note the Northern Territory does not have a bond board. Bonds are held by the property owner or manager in NT.**

- 4.** Government bodies will then hold these funds (excluding in NT) until the tenant has vacated the property (once their lease ends).
- 5.** At the end of the tenancy agreement and once a property is vacated, the property manager or landlord will inspect the property and assess its condition against the original condition report.
- 6.** An agreement will then be made between the landlord and tenant as to whether a full, partial or nil refund of the bond money will be released. This will depend on whether any breaches of the tenancy agreement are found.

How can you get your rental bond back if you are a tenant?

A rental bond will typically be released to a tenant when they have moved out of a property, provided they have not breached the tenancy agreement.

There are some things you can do as a tenant to better your chances at receiving a full refund of the bond money at the end of your tenancy, including:

- Providing a detailed condition report to the landlord at the beginning of the tenancy to specify any existing damage or deterioration at the property, including taking photos to support the report.



- Paying any rent owing.
- Showing evidence you have paid the full bond amount (using a bond receipt).
- Causing no damage to the property (e.g. torn curtains, stains or burns on the carpet, holes in the wall).
- Leaving the property clean and tidy when you move out and considering the use of a professional bond clean. A professional clean may help make sure the property is returned in the same condition it was in when you first moved there (provided you haven't caused damage), excluding fair wear and tear (normal deterioration of a property from ordinary, everyday use, such as worn carpets, scuffed wooden floors and faded curtains).
- Make sure you review the condition report you signed when you first moved in, so if anything is not up to scratch, it can be repaired before the property manager or landlord inspects the property, such as removing marks on a wall or fixing a wardrobe door or handle.

- Completing any additional cleaning or repairs requested by your landlord if you believe these requests are reasonable.

Where can you go to claim your rental bond refund?



You can typically claim for a refund of your bond money through a rental bond authority or directly through your landlord or property manager.

If claiming through a rental bond authority, both you and the landlord (and any co-tenants) must typically sign a bond claim form and lodge this form with the relevant authority. Some states also have a rental bond online service which allows tenants to claim a refund online.

- Australian Capital Territory (ACT)

To claim your bond in the ACT, you will need to complete this bond refund form and email it to rb@act.gov.au. For more information you can visit the ACT revenue office website.

- New South Wales

In New South Wales you can apply for an online bond refund if you have an Rental Bonds Online (RBO) or use the NSW Fair Trading Bond Claim Form.

- Northern Territory

Bond refunds need to be organised directly with your landlord or property manager in the Northern Territory. If you need help getting your bond back, you can contact Northern Territory Consumer Affairs.

- Queensland

In Queensland if you have a QGov (QLD government) account, you can apply to start the online bond refund process via the Residential Tenancies Authority (RTA) Bond Refund Web Service. If you are a tenant, doing this can be advantageous as it means you can request a fast-track refund, and the onus is on the property manager/landlord to respond with a notice of claim to challenge your request.

- South Australia

In South Australia, you can apply for an online bond refund if you have a Residential Bonds Online (RBO) account.

- Tasmania

All bond refunds in Tasmania must be managed online through the Mybond portal.

- Victoria

In Victoria, you must log in or register to the Residential Tenancies Bond Authority (RTBA) website in order to submit a bond claim online.

- Western Australia

In Western Australia, a Joint Application for Disposal of Security Bond form must be signed by the landlord and tenant and submitted to the Bond Administrator by post, email or in person.

What does a rental bond cover for a landlord?

A bond covers any breaches to the lease agreement caused by the tenant while the property is leased to them — including damaged property or unpaid rent. A landlord or property manager can only recover an appropriate portion of the bond at the end of a tenancy if:

- the tenant has left and owes rent
- the tenant or a resident or visitor has damaged the property
- the tenant or resident has abandoned the property
- the tenant or resident has left unpaid bills, such as a water bill
- the tenant or resident has left the property with cleaning or repair expenses that exceed reasonable wear and tear

Tenants and residents cannot be held responsible for fair wear and tear, such as carpet deterioration in high-traffic areas (e.g. hallways), sun fading of curtains and minor motor oil stains on concrete driveways.

How does a rental bond work with landlord insurance?

Typically, an owner or property manager will use a rental bond to pay for repairs, cleaning and outstanding bills. However, a bond may not cover the full amount of some breaches made by tenants. This is where landlord insurance can come into play.

Landlord insurance may add an extra level of financial protection for owners to ensure they're not left out-of-pocket if an issue does arise, such as unpaid rent or damage to the property. There have been some changes to landlord insurance as a result of the COVID-19 pandemic.

It is important for property managers or landlords to research their options carefully when it comes to this type of insurance.

What if there is a disagreement about the refund of a bond?

If a dispute arises, owners, property managers and tenants should try to resolve it together before applying for dispute resolution through the state or territory governing body.

Typically, this involves a mediator encouraging both sides to reach an agreement and help participants consider possible options so the matter does not need to be heard in a tribunal.

A tribunal is an independent body in each state and territory that deals with disputes between landlords and tenants. It is not a formal court, but decisions are legally binding.

If both parties cannot make a decision about the dispute, a lodgement to a relevant tribunal must be made. Both parties will be required to complete paperwork and provide clear evidence so an adjudicator can make a decision based on relevant legislation.

It's difficult for the law to provide an exact definition of what constitutes 'reasonably clean' or 'fair wear and tear' in every potential situation.

Factors such as the length of the tenancy, the age of the property and the original condition of the property at the start of the tenancy all play a part in this consideration.

If you are a tenant, a good way to show that any damage is fair wear and tear is to take photos of a property when you first move in, so that you can show your landlord or property manager when moving out.

You can find more information on rental disputes and mediation on the relevant state or territory website:

- ACT — Rental bond disputes – ACAT
- New South Wales — Resolving rental problems
- Northern Territory — Common tenancy disputes – NT.GOV.AU
- Queensland — RTA QLD
- South Australia — Bond refunds
- Tasmania — Disputes about a bond
- Victoria — Resolving renting disputes
- Western Australia — Disputes about bonds | Department of Mines, Industry Regulation and Safety

Rental Bonds Online

NSW Fair Trading provides a voluntary online rental bond system that allows tenants and landlords to manage their bonds.

Rental Bonds Online allows payment of bonds through pay and bank transfer. You may lodge a bond with Rental Bonds Online before you have signed the tenancy agreement. All landlords and agents must give you the option to use the online system if you want. A landlord who requires you to use Rental Bonds Online when you do not want to maybe fined \$2,200.

Bond refund to former co-tenant



On request, the remaining tenant/s must pay back a former co-tenant's bond – less any rent owed or other reasonable costs – within 14 days of the request.

This does not apply if:

- the former co-tenant's debts exceed the amount of bond money they paid, or
- the former co-tenant has been excluded from the premises by a final apprehended violence order

If a former co-tenant disagrees about how the bond is paid out to them, they can apply to the Tribunal to resolve the matter. They must apply within 6 months after the bond is paid out.

Things you need to know about your rental bond

1. How is a bond lodged?

You and your landlord will sign bond lodgement papers that specify the amount being paid. You'll then pay your bond, and the money – along with the bond lodgement papers – will be submitted to the residential bond authority for your state or territory.

This ensures that the money is protected and available to you or your landlord when you leave.

2. How do I get my bond back?

When you are ready to leave, your property manager will look for any damage or issues caused during your tenancy and check if all rent has been paid.

If you are up-to-date with your payments, nothing has been damaged, and the property and gardens are clean and tidy, the bond will be released to you. Both you and the landlord will need to sign release papers. This can generally be done online.

However, if any issues do arise, your landlord will seek to withhold money from your bond to cover the costs. You can dispute these claims through the tenancy tribunal in your state if you feel they are unreasonable.



You are not responsible for fair wear and tear to the premises, but it's important to report these issues during your tenancy. Picture: Getty

The top three things you can do to make sure you get your bond back, apart from being a good tenant of course, are:

- Follow the correct legal procedures and follow up any outstanding paperwork;
- Complete a thorough entry report to list any existing damage to the property before you move in;
- Insist on an exit report, where the landlord or property manager compares the state of the property against your entry report to identify if the damage is your fault or pre-existing.

3. When do I get my bond back?

It generally takes four weeks to settle the bond, although this can be held up if there is a dispute or if paperwork is incomplete or not submitted in a timely manner.

4. Anything else I should know?

If things do go wrong and you need the help of a tenancy tribunal, it's key that you have evidence to back up your claims, so make sure to keep copies of any paperwork and receipts if you've made repairs during the tenancy.

Is bond cleaning and end-of-lease cleaning the same?

Yes, the bond and end-of-lease cleaning are the same things. The main distinction is that end-of-lease cleaning refers to having the home cleaned before the tenants move out, whereas bond cleaning refers to cleaning the rented property in order to receive the bond sum returned from the real estate or owner.

Let's look at three examples of how to bond cleaning is similar to end-of-lease cleaning.

1. Cleaning

The bond cleaning is the cleaning of the residence to receive the bond money you paid when you leased the property repaid. It refers to getting the money back during an exit by thoroughly cleaning the property.

In the process of end-of-lease cleaning, the renter delivers the clean property to the owner and ensures that it is in good shape before leaving. This is even referred to as tenancy cleaning. During this time, you clean the property thoroughly, similar to how you would clean a rental house.

1. Time required

In the event of end-of-lease home cleaning, the time necessary to clean the rental house ranges from three to seven hours, depending on the size and condition of the property. While cleaning, be sure you allow the service provider adequate time for end-of-lease cleaning in gold coast.

Cleaning the house for bond cleaning in gold coast takes approximately the same amount of time. Typically, each residence takes four to seven hours to complete. Even with bond cleaning, the cleaning time is determined by the property's state and the tenant's needs, such as end-of-lease cleaning.

2. Discolouration

In both cleanings, the specialists use the best cleaning materials to clean all of the goods. Even if there is disintegration, they make certain that the original colour of the location, such as toilets, is maintained.

Bacteria and germs cause the discolouration of the property. It is simple to improve the property condition by hiring vacate cleaning in gold coast.

Bond Cleaning Vs Commercial Cleaning

Bond cleaning is completely different from commercial cleaning. Of course, cleaning means removing accumulated dust, tackling stubborn stains, and banishing bad odours, but the purposes for both services are different.

First of all, let's get a clear picture of what is bond cleaning and know why it is needed. Bond Cleaning is also known as the end of lease cleaning. According to the rental laws in Queensland, the tenants have to return the property in a clean state.

This means restoring the look and feel of the rental property is the main purpose behind this type of sprucing.



At the end of the lease, a landlord carries out a final inspection and has the right to hold back a part of deposited security if the premises in a dirty or messy condition.

What is Commercial Cleaning?

This type of cleaning is specially designed for commercial buildings and spacious offices. It is done to ensure a clean, healthy, and hygienic work environment. The process includes deep cleaning of common areas, such as reception, workstations, pantry, washrooms, conference rooms, etc. From windows to carpets, every nook and cranny is covered for sparkling outcomes.



Commercial cleaning requires heavy-duty equipment, quality products and a standard checklist to let commercial offices operate their business without any downtime. People can perform commercial cleaning on a weekly as well as a monthly basis, depending on the specific requirements.

Bond Cleaning Vs Commercial Cleaning: Key Differences

1. Purpose

The objective of both services is different from each other. Bond Cleaning is performed when you are moving out of a rented apartment at the end of your tenancy.

As a responsible tenant, you need to clean all the rooms, important spots, and hard-to-reach areas according to the REIQ-approved checklist to get the bond money back. That's the reason why most people prefer hiring professionals for a thorough bond cleaning in Brisbane.

They will wipe surfaces, vacuum carpets, and mop floors to give you quality results.



On the other hand, commercial cleaning needs great expertise, money, and a lot of time. A clean and germ-free work environment is important for the overall productivity of a company. That's why businesses hire professional cleaners for thorough sprucing and sanitisation on a regular basis.

2. Inclusions

Residential bond cleaning involves activities such as wiping dust, removing stains and stubborn grime, sanitising washrooms, and disinfecting dirty kitchens.

Commercial cleaning is about eliminating hazardous wastes and cleaning and disinfecting workstations, pantries, and washrooms- it is more intensive cleaning.

3. Space

A rented apartment is comparatively small than a commercial building. Residential property includes 1 to 4 bedrooms, 2 bathrooms, a kitchen, a living room, a laundry room and a balcony. Cleaning such property requires less time and energy.

Whereas cleaning a commercial property can be intimidating and back-breaking because of its size and complexity.

What happens to a joint tenancy when one person leaves?

Even the most secure tenancies can break down, from relationships ending to friends falling out and other unforeseen circumstances.

But as the landlord, how do you react when one person says they are leaving a joint tenancy agreement, and how does it affect you? Here's what happens when one person leaves and your options as a landlord.

Joint and several liabilities

Tenants named on the tenancy agreement are responsible for the rent. And if the tenant exits the property while the rental contract is still in effect, they are liable to pay their share of the rent. No longer living in the property doesn't mean they're off the hook – they're still legally responsible for what they owe.

Joint tenants are 'jointly and severally liable' for all the obligations agreed to in the tenancy agreement. As the landlord, you're within your right to pursue all tenants even if just one tenant isn't fulfilling their contractual obligations, such as paying the rent.

Therefore, both you and the tenants should fully understand everything in the rental contract, which will likely be an assured shorthold tenancy (AST). This also goes for any guarantor who guarantees the rent for one or all tenants in a joint tenancy.

Leaving during the fixed term vs a periodic tenancy

The consequences of someone leaving a joint tenancy vary depending on when they move out. If it happens once the tenancy has switched to periodic, any one of the tenants can serve notice to quit that ends the tenancy for everyone as long as they provide sufficient notice.

However, when the tenancy is in a fixed period, things can get tricky. Tenants who leave before the fixed contract runs its course are still liable for the rent, and you can take legal action against them to ensure they pay for any monies owed should you wish to take that route.

In the meantime, the remaining tenants are also liable for covering the full rent and are responsible for ensuring this is paid in full if they don't want to see their contractual right to live in the property challenged due to mounting arrears.

The process of a tenant changeover

In a joint tenancy, it is possible to draw up an addendum to the original agreement replacing the outgoing tenant with an incoming one.

If you let the property to one tenant, this usually isn't possible, but in a joint tenancy, the process is relatively straightforward for the landlord (especially as they aren't on the hook for finding the replacement).

In this case, the tenants would find a new person to replace the outgoing renter and pay a £50 charge (one of the permitted payments under the Tenant Fee Act) to have the agreement amended or an addendum drawn up stating the new conditions of the tenancy with the new occupant.

This can save you considerable time and hassle, as the new renter replaces the old one, and you can continue receiving the rent.

You can draw up the agreement amendment or addendum yourself or get a letting agent or solicitor to do it on your behalf. In any case, this is usually the best way forward when one tenant wants or needs to leave early while everyone else is happy to continue with the tenancy.

Negotiating a deed of surrender to end the tenancy early

One option to end the tenancy involves a deed of surrender. This is when the tenants agree to return vacant possession of the property to the landlord.

A deed of surrender can occur at any point during the tenancy, be it periodic or fixed term. It essentially allows the tenant and the landlord to end the tenancy. If it's a joint tenancy, however, the deed of surrender will only apply to one tenant unless both tenants sign it.

Essentially this means you, as the landlord, accept the tenants are moving out of the property and no longer paying rent. You can, however, charge them an early termination fee to cover

any reasonable costs incurred, such as the rent up to the end of the fixed-term contract or marketing fees incurred to find new tenants.

The problem with a deed of surrender in this scenario is that it would only be possible to end the tenancy for all of the renters. They might all agree to proceed if there are irreconcilable differences and the remaining tenants cannot afford to meet the monthly rent, but this often isn't the case.

Talking it out

Sometimes the best route forward is communication. If both you and the tenant who wants to leave have a cordial relationship, it's probably worth discussing the situation and coming to a reasonable arrangement.

For example, you may agree that the tenant will remain in the property until a new one is found. Alternatively, it might just be better for everyone involved to cut ties so you can focus on the next steps, such as finding a tenant.

The key is communication, as it can mitigate the situation escalating to the point where the relationship sours with every tenant, and it's hard to find a conclusion that satisfies everyone involved. It's far from ideal when one tenant leaves during a tenancy but, more often than not, a solution is achievable.

Summary: Ensuring a smooth joint tenancy

Joint tenancies can be tricky if something goes wrong with one of the tenants. That's why you need a clear understanding of how joint and several liabilities work and what it means for the tenants' responsibilities in the tenancy.

If one tenant leaves during the fixed term, you have the right to pursue the rent owed from the remaining residents. However, each situation should be viewed individually, taking all the factors into account.

A tenant changeover is usually the best way forward, with the onus on the tenants to find a replacement for the departing occupier.

Frequently Asked Questions

What is a Bond Deposit?

A bond deposit is a sum of money that the tenant pays to the state or territory's bond authority before they move into rented premises. A bond is a form of security in case the tenant breaches the tenancy agreement. For example, if the damage is caused to the premises.

How Much is a Bond Deposit?

A landlord can set the amount that they require to be paid as a deposit. However, the bond deposit cannot be an amount of more than four weeks' rent.

Does a Bond Deposit Need to be Money?

Yes, the rental bond must be money. It cannot be a written guarantee from, for example, the tenant's friends or relatives.

Can a Landlord Require Additional Bond Deposits to Be Made During the Tenancy Period?

No, you can only ask a tenant to pay a bond deposit at the beginning of their tenancy. You also cannot request or receive additional bond payments during the tenancy.

Conclusion

A rental bond is a security deposit paid at the start of the tenancy. If the property manager/owner takes a bond, they must give the tenant a receipt and lodge it with the RTA within 10 days. It is an offence not to do so. A rental bond is lodged with the RTA Web Services or by post, using a Bond lodgement

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